Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

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The Ongoing Process of ESTATE PLANNING

Estate planning refers to an ongoing course of action that you predetermine with your lawyer, accountant, and insurance advisor, to transfer and preserve your accumulated wealth. Estate planning is an important and essential part of life planning, not something to keep on the periphery of a financial plan as a future goal. We will examine each stage of life to determine the importance of an estate plan.

When you have a young family

You may have one or more children and find yourself accumulating assets with the assistance of borrowed money for cars, larger homes, or a business venture. Estate planning in this stage requires listing your assets, subtracting your liabilities and assessing your income versus expenses.

You may be starting to create a significant estate, based on your earning power or a successful business. What if illness or death stops that process? A good financial advisor can help you design a life and disability insurance program that would pay off your debts, including your mortgage, and provide an ongoing income. He or she will help you designate beneficiaries. You will need to select an executor and trustee for your estate, and a guardian for your children. Then have a will drawn up by a lawyer.

When you are in your mid-life

When your children leave for college or university, the need to outline guardianship in your will becomes obsolete unless there is a disabled child.

You may want to create a special trust if you have accumulated considerable assets:

• A spousal trust to provide income for a spouse for his/her lifetime or until remarriage.
• A family trust to divide assets and income among several family members including the spouse.

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• A spendthrift trust that provides income to a beneficiary without access to the capital, perhaps until they are older and more responsible.

A changing marital status such as a separation, divorce, remarriage, or living common law may create a need for your will to be entirely rewritten. Consider that your will could be challenged by a dependent from a past relationship.

When your retirement looms

Hopefully, you have invested wisely and have accumulated enough capital upon which to retire comfortably. Estate planning should now consider your needs in retirement, any health or medical needs, and the transfer of assets to children on or before your death. Your goals for retirement may include selling your home or cottage or snowbirding in the U.S. several months every year. You will need to review your will now that your estate is maturing.

Determine if you will leave assets to a charity. Perhaps you will need to choose a different executor or trustee as circumstances change.

If you own a business or have substantial RRSPs and non-registered investments and other capital assets, you should employ an accountant to help mitigate the depletion of your estate by taxes due in the estate.

What is the difference between A REVOCABLE AND IRREVOCABLE TRUST?

Your spouse, another individual, or a trust company could be the trustee of a living trust while you are alive. A living trust can be set up to create income for a disabled child, a spouse, or to meet the special needs of other children. You can pay out reasonable amounts of money over time as opposed to paying out a whole fortune at once.

A person can establish either a revocable or an irrevocable trust by way of a legal document. It sets forth directions to manage and/or distribute certain assets to designated beneficiaries while the settlor of the trust is alive. A revocable living trust is a trust of which the settlor can be a trustee and beneficiary, can add or sell assets to the trust, while maintaining control of modification or revocation (i.e. cancellation). Conversely, the settlor of an irrevocable living trust gives up these rights.

A living trust is treated as a separate taxpayer and can be taxed at a very high rate on income that is not allocated or distributed to beneficiaries. You may need to do ongoing, costly paperwork every time you dispose of an asset held or add an asset to the trust. Assets that can be held in trust include your home, vehicles, a cottage, or investments. The upside is that you can avoid probate on assets held within the trust.

Income Tax Treatment

Income from assets in a revocable living trust is attributed back to the settlor who maintains control. On the other hand, income from an irrevocable living trust may be attributed to the trust's beneficiaries.