Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

CANFIN FINANCIAL GROUP

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Investment Planning	Tax Planning
Insurance Planning	Financial Planning
Mortgage Planning	Estate Planning

Mutual Funds, GICs & Fee for Service Financial Planning provided through CANFIN Magellan Investments Inc.
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Please do not hesitate to contact your advisor for a Confidential Financial Review.

What is taxable in an estate?

After the death of an individual, every estate must file a final (or "terminal") tax return. All assets are deemed to be disposed of at the time of passing, and this can trigger probate fees and other expenses.

Probate and Estate Administration Tax (EAT)

Ontario has replaced the term "probate fee" with EAT. Fees may be charged on the total value of the deceased's estate. Depending on the province, the value of all assets owned by the deceased at the time of death may be taxed, including:

- real estate, less encumbrances
- bank accounts, defined contribution or benfit plans
- investments (e.g., stocks, bonds, trust units, options)
- vehicles and vessels (e.g., cars, trucks, boats, ATVs, motorcycles)
- all property of the deceased which was held in another person's name
- all other property, wherever situated, including:
  - goods
  - intangible property
  - business interests
  - life insurance, if proceeds pass through the estate, e.g., no named beneficiary other than 'Estate'.

Probate is the legal process whereby the probate court establishes the validity of a will. Associated estate fees are higher in British Columbia and Ontario (via EAT), while lower in Alberta. Check with

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your accountant to get an idea what the fees are in your province. There are also many differing certificates depending on the various assets you own and where they are located.

Note: An accountant is highly recomended to assess your estate options as you work with your advisor.

Advance planning using life insurance can help cover or minimize estate costs, especially where there is a large family business, or a succession plan is needed.

What is exempt from the estate tax?

• Assets that the deceased had before death but not at the time of death, such as insurance payable to a named beneficiary, assets where there is joint ownership with right of survivorship for a surviving spouse/partner.

• Concerning jointly-owned real property, and bank or investment accounts, these assets will pass to the surviving joint tenant by right of survivorship. In cases where joint ownership of assets is considered for estate planning purposes, it would be prudent to obtain legal advice.

Who pays estate administration tax?

• The tax is imposed on the estate of the deceased person. The tax is paid as a deposit when the estate representative applies for a Certificate of Appointment of Estate Trustee.

• Taxratesrange, depending on province, (Alberta has a maximum fee) and are applied to each $1,000 of assets of the estate. In most cases, no estate tax is payable if the value of the estate is $1,000 or less.

Source: Provincial Governments

Life insurance can mitigate estate probate

Life Insurers offer life insurance policies; segregated funds and term funds (classified as deferred annuity policies), which may designate one or more primary beneficiaries, and further contingent (secondary) beneficiaries, allowing probate/EAT to be circumvented entirely, enabling direct access to those funds without concern for joint ownership or survivorship of a joint tenant. Generally these monies pass tax-free, privately and directly to your beneficiaries, outside of your estate and the probate process.