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Your final plan

Estate planning means much more than making a will - it can mean revisiting your life insurance, considering powers of attorney, prepaying for your funeral and much more

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Estate Planning

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As the old saying goes, "where there's a will, there's a relative." During my years in the financial industry, I can't recount how many families vowed that theirs got along smashingly and there would be no arguments upon their death.

How little most realize that coupling the emotions of death with the need to distribute money is a recipe for disaster.

The only way to preserve your wishes once you're gone is to carefully plan while you're here. The following is a guideline of issues that you'll want to ensure are planned for the next time you visit your tax, legal or financial professional:



_Beneficiaries: It's essential that all of your beneficiary designations (this is the person to whom your assets will be left) are consistent. For example, does the person named as beneficiary in your will match with that of your life insurance?

Did you know that you could name a beneficiary for an RRSP, RRIF or other registered account but not for a non-registered account? If you currently have non-registered assets (those not protected by a tax shelter, such as a GIC at a bank for instance) at your death, those will form part of your estate. If you have a pension plan from work, check to verify whom the stated beneficiary is on their records.

_ Under- or over-insured? Many Canadian's think that life insurance is only for those covering debts owing at their death such as a mortgage. Often, seniors leaving large estates to loved ones wonder if they bother with life insurance at all. My answer is, in certain circumstances, yes.

One such situation would be if you own real estate other than your principal residence. In this instance, at the time of one's passing, the government considers this a "deemed disposition," meaning that tax is owing and due at the death of the individual and valued at fair market value. Even if your loved ones do not want to sell the real estate, if they do not have the cash available to pay the capital-gains tax owing, they might be forced to "fire sell" the property. The issue in this case would be whether it's more expensive to pay the taxman or the insurance company. Of course, your monthly cash-flow needs have to be considered as well as your personal stance on the issue - how much is enough to leave to your loved ones? It's a question only you can answer.

_ Powers of attorney. If you visit a lawyer to pen a will or update your current one, most good lawyers will insist on preparing these simple documents. Many spouses with joint assets and bank accounts may not think they need a power of attorney, but in certain cases where a spouse is deemed "mentally incapacitated" either permanently or temporarily, an enduring power of attorney will save a great deal of grief and possibly money for generally under \$100.

_ Pre-paid funerals. During my professional career, my bias was against pre-paying for one's funeral - that is, until recently when I heard a local funeral home state its case. I must admit that my opinion has changed. When one pre-pays they lock into today's rates; the funds are held in a government-managed trust account so you're protected if the funeral company folds; and you avoid the emotion and guilt that often accompanies planning for this event when the individual has already passed. This option isn't right for everyone, but it is worth exploring.

_ Get organized! Find a binder for each calendar year and photocopy important documents such as your investment holdings, life insurance, powers of attorney and other papers. Create a sheet in the front of the binder with contact names and phone numbers of your professionals including your account numbers as well. Use this binder to let your final wishes be known in addition to the financials you might list in your will. Keep all original copies in a safety-deposit box and be sure to tell your executor where the key and other documents are housed.

Within this short article, it is impossible to tackle every aspect of such a subject as complex as planning your estate. Your best allies are professionals who specialize in the areas of estate planning. Seek the counsel of a qualified accountant, lawyer, insurance agent and financial planner. Use your team and encourage them to review each other's plans to make certain that no details are over looked.

You've worked hard to build your fortune no matter how small or large. Don't let the government and courts, through a lack of planning, take a piece of your hard-earned pie.

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