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Estate Planning Saves You Money

When it comes to your estate, it is important to consider giving some thought to how you want to distribute your assets, household goods and other gifts to your heirs as you contemplate your other matters in life. This, including tax planning, is what lawyers refer to as Estate Planning, which can be a simple or complex matter depending upon your specific situation and the needs of your heirs. So why bother to worry about having Wills, Powers of Attorney and Living Wills or Medical Directives updated to reflect your hopes, wishes and personal values?

Properly thought out and executed, a set of working instructions can save you and your heirs significant amounts of money. The first way to save money is by avoiding expensive legal costs and litigation as various parties, such as heirs, charities and so on fight over the financial assets and entitlements that they are claiming in the absence of any clear legal instructions.

When a deceased individual with substantial assets has no Will (or a confusing Will), the result is often that the Estate pays substantially higher legal fees to "sort everything out" versus the cost of the standard legal fees paid for drafting a Will while someone is alive. Sadly, the majority of Canadians have no documents or out-of-date documents. This raises the second area of expense, which covers a number of scenarios where your circumstances or facts may have changed in recent years, but little thought has been given to the financial impact on your Estate.

Briefly, these areas can include the impact of a second (or more) marriage or failing to understand the impact of separation/divorce.

Both of these situations can lead to your estate not being distributed according to your wishes but rather in accordance with relevant provincial intestacy laws. It is important to realize that many provinces, but not all, automatically revoke an existing Will upon divorce and in other circumstances, such as remarriage, leaving you subject to the intestacy rules (provincial laws dictating how assets are to be distributed regardless of your personal preferences).

Another common area that is overlooked is failing to ensure that the provisions of a Will and those of beneficiary designations are consistent. Beneficiary designations are made for RRSPs, RRIFs, TFSA's and life insurance policies when they are first taken out and are often not revisited as Wills are written or circumstances change. These need to be reviewed regularly to ensure that the right people get the correct monies to meet their specific needs or situation.

Other landmines include the use of 'joint accounts' with a parent and a child that can cause complications and hard feelings with other siblings at the point of distributing the Estate's assets and failing to address issues while people are still healthy. Finally, the use of and appointment of Executors, especially out of town ones, is another area that creates hard feelings and possibly unnecessary costs.

In one family, an heir received an apartment building as their share of the Estate, but the capital gains taxes associated with that asset were paid for by the other heirs from their share of the Estate. The cost of this error was well over \$100,000 of unfairly distributed assets.

We can help you plan your estate effectively. Contact our office today!

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