Fiduciary Trust Canada

PRIVATE WEALTH SERVICES

The Importance of Estate Planning

If you're like most people, getting your personal financial plan started can be a challenge. But what about planning your estate?

A common misconception is that only wealthy individuals need to concern themselves with estate planning. This misconception can result in significant unnecessary costs to the estate and additional burdens for your loved ones.

Just about everyone can benefit from the development of an estate plan. Young or old, wealthy or middle class, an estate plan can reduce the taxes and expenses of an estate, simplify and speed the transfer of assets to the next generation and help ensure that beneficiaries are protected.

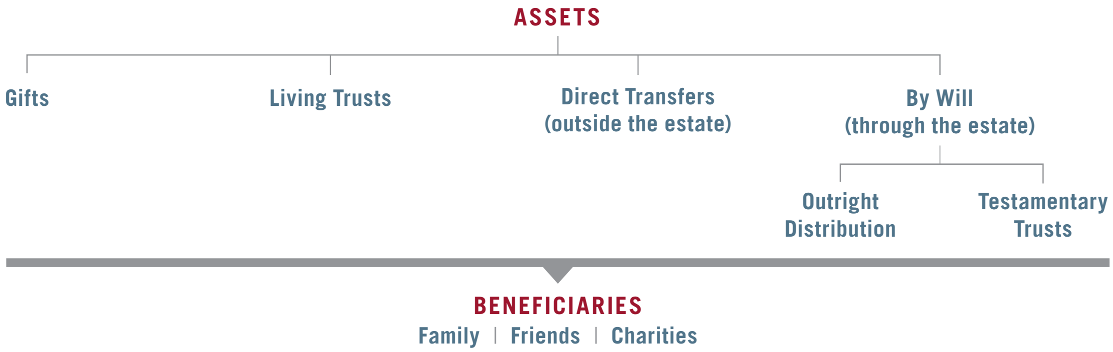
An estate plan defines how you want your assets to be owned, managed and preserved during your lifetime and how you want them disbursed after your death. The plan also deals with the important decision about who will look after your estate.

Drafted properly, an estate plan can do the following:

FEATURE	BENEFIT
Orderly transfer of assets	• Your wishes are clearly stated and there is no confusion about what is meant to happen • Administration of your estate is streamlined so it proceeds as quickly as possible • Immediate needs of your dependants are considered. Money is available to them when they need it
Transfer more tax-efficiently	• Taxes and other expenses are minimized so the estate is as large as possible • Strategies like joint ownership of property or naming beneficiaries on life insurance and registered plans can be used to pass property directly to beneficiaries without cost
Disburse assets as you intend	• By having a will, you control exactly how your estate is shared • You can include friends, extended family or charities who would not otherwise share in your estate • You can ensure that vulnerable people are protected • You can establish terms and conditions under which your estate will be distributed
Minimize burden on loved ones	• You can appoint the best qualified person (or professional) to be the executor in charge of the estate, removing the duty of a year's work from people you do not wish to burden
Plan for business succession	• Bill payments can be arranged to keep the business running • Strategies like estate freeze can be used to minimize capital gains taxes • You can arrange for beneficiaries who work in the business and those who work outside of the business to inherit different assets
Make arrangements in the event of incapacity	• You can appoint someone you trust to handle your financial affairs in the event you become mentally incapacitated • By having a Health Directive, you can leave instructions on what kind of medical treatment you wish, or do not wish, to receive if you are not able to speak for yourself

Transfer of assets

The method most people consider to pass on property to a surviving spouse or other family members is through a will. Transferring property through your estate by creating a legally binding will can give property to beneficiaries outright for their own immediate use. Your will can also set aside property for use according to your specific instructions in a trust created upon death (Testamentary Trust). However, there are in fact three other ways property can be transferred to beneficiaries, each of which has advantages and disadvantages (see illustration below).



1. **Gifts of property during your lifetime:** although it provides beneficiary certainty and some tax benefits, it also means giving up control over the asset (family cottage or business), and could accelerate the tax consequences of capital gains.
2. **Living Trusts:** transferring property to a trust created while you are alive allows you to transfer beneficial ownership to an intended heir while retaining control over how the property is used. However, it is imperative that a Living Trust is properly structured by a trust professional to avoid unfavourable tax implications.
3. **Direct Transfers:** there are two common types of direct transfer that apply to most people who own property jointly with right of survivorship and naming a beneficiary (for life insurance or RRSP). These methods can reduce executor and probate fees but potential legal and tax issues could result. It may also limit your control of the asset while you are alive.

Minimize your costs and fees at death

In addition to possible tax liabilities, other fees and costs including probate fees, funeral expenses, executor fees and legal fees will be incurred after you have died. Planning ahead can save you and your family money, time and stress.

Having an up-to-date and effective estate plan is the only way to ensure your property is distributed according to your wishes. Your personalized estate plan is the blueprint from which your will is developed. Contact your investment advisor today for more information and how Fiduciary Trust can help.

For more information on Fiduciary Trust Company of Canada's *Trust and Estate Services*, please contact your advisor, or visit www.fiduciarytrust.ca.

FIDUCIARY TRUST COMPANY OF CANADA and its predecessors have specialized in investment management for individuals and families since 1982. A federal trust company license enables Fiduciary Trust Canada to act as executor and trustee, thereby allowing it to provide continuity of wealth management through multiple generations. As part of the Franklin Templeton group of companies, Fiduciary Trust Canada has direct access to the worldwide investment expertise of Franklin Templeton Investments.*

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