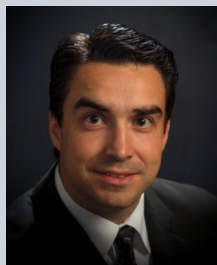


# Jason Baba Wealth Management Group

## Newsletter



Views and opinions  
for the clients and friends of

Jason Baba  
Portfolio Manager & Vice President  
403-299-7094  
jason.baba@rbc.com  
www.jasonbaba.com

Andrea Strass  
Associate  
403-266-9610  
andrea.strass@rbc.com

Ron Roberts  
Associate Advisor  
403-266-9660  
ron.roberts@rbc.com



### Planning Your Estate

Canadian society is on the verge of the largest intergenerational wealth transfer in history. Unfortunately, many Canadians do not have a written estate plan detailing how their wealth will be transferred to the next generation in the most efficient and tax-effective way.

A comprehensive estate plan can help you maximize your legacy to your family and avoid making the government your largest beneficiary. The following are steps you should consider when creating or updating your estate plan:

#### Think Beyond Your Will

Beyond estate distribution to your beneficiaries and naming your executor, you should take into account other considerations. These could include ensuring you have powers of attorney for every adult in your family, assessing how insurance coverage and different ownership structures can potentially reduce the amount of taxes on your estate and establishing the need for family trusts to provide for your beneficiaries during your lifetime.

#### Discuss Executor Duties

Bring up practical matters with your family; such as your choice for executor of your estate. Among an executor's numerous duties are arranging the funeral, locating assets,

notifying financial institutions, filing tax returns and reviewing the Will if required. If you decide to name a family member as executor, make sure they understand their responsibilities and are comfortable with them.

## Provide For Family Members Who May Need Support

You may wish to provide support to certain family members without giving them direct control over assets either for a specified time frame or indefinitely. Typically, this is done through a testamentary trust.

## Address Second Marriage Situations

Estate settlements can be complicated by subsequent marriages. You will need to make special provisions to ensure that the children from your first marriage receive their inheritance.

## Do Not Overlook Emotional Considerations

Try to resolve any potential conflicts ahead of time to minimize stress and confusion during the settlement of your estate. Make sure that all involved parties clearly understand the reasons for your decisions.

## Consider the Family Business

You must first ask yourself if any of your family members have the interest and aptitude to run the business. You should then plan ahead to protect the value of your business from potential taxes arising on death. If cash is not available, your heirs may be faced with the possibility of selling the family business simply to cover taxes.

## Tax Effective Methods to Pass on Your Wealth

There are a number of alternatives that can be used to minimize estate taxes, including:

Gifts – simply give your assets away to your heirs prior to death.

Family Trusts – allows you to transfer ownership of assets and enables your heirs to benefit from them while you retain control.

Joint Tenancy With Right of Survivorship – when assets are transferred in this way between spouses, there are no immediate tax implications.

Insurance Products – insurance benefits paid to a named beneficiary bypasses probate.

Sometimes, these methods of passing on assets can trigger capital gains taxes. This should be carefully weighed against the potential savings from avoiding probate tax.

## Six Steps to Create and Update your Estate Plan

- 1) Maintain a current inventory of your assets – having a comprehensive list of your assets and liabilities can expedite the transfer of your wealth
- 2) Define your objectives – once you know what you have, your next consideration is what to do with it.
- 3) Evaluate your objectives – determine the feasibility of your goals based on your financial situation.
- 4) Identify the actions you need to take – this could include updating your Will or changing legal ownership of certain assets.
- 5) Consult with appropriate professional advisors – this could include an accountant, lawyer or your Investment Advisor.
- 6) Review your plan – this should be done regularly to ensure it continues to meet your objectives.

## Insurance Strategies to Protect your Wealth

1) RRSP/RRIF Tax Protection - often, the top marginal tax rate is applied to all remaining funds in your RRSP or RRIF when they are taken into income in your final Canadian federal and provincial tax return. With a life insurance benefit, you can cover these tax obligations.

2) Capital Gains Tax Protection – your assets can be transferred at death to your spouse without triggering taxation but on the

death of your spouse, the government considers your assets to have been sold at fair market value. This can trigger taxable capital gains. Tax protection insurance can help your heirs retain these assets and avoid an untimely “fire sale.”

3) Covering your U.S. Estate Tax - if you are a Canadian resident who is not a U.S. citizen or green cardholder, your heirs may have to pay U.S. Estate Tax on the fair market value of your U.S. assets to the IRS. Tax protector insurance may be the most cost-effective way to cover this liability

4) Living Benefits – these can protect the value of your estate by covering the costs associated with disability, critical illness or long-term care.

It is recommended that you obtain professional advice for the creation of your estate plan. At RBC we have a team of estate planners that can help you make the best decisions to pass on your wealth and implement the various parts of your overall estate plan. Please contact us to make an appointment with our RBC Wealth Management team if you would like assistance with your estate plan.



We are able to offer you access to our in house RBC Wealth Management team of lawyers, accountants and financial planning professionals. If you are interested in reviewing your estate or financial plan, please call us to book an appointment.



This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report

is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. This commentary is based on information that is believed to be accurate at the time of writing, and is subject to change. All opinions and estimates contained in this report constitute RBC Dominion Securities Inc.'s judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Interest rates, market conditions and other investment factors are subject to change. Past performance may not be repeated. The information provided is intended only to illustrate certain historical returns and is not intended to reflect future values or returns. RBC Dominion Securities Inc.\* and Royal Bank of Canada are separate corporate entities which are affiliated. \*Member-Canadian Investor Protection Fund. ©Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion Securities is a registered trademark of Royal Bank of Canada. Used under licence. ©Copyright 2011. All rights reserved.