

Wealth Management & Capital Markets Perspective



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Estate planning in today's times: Four key elements

By RBC Wealth Management

With a growing awareness and change in dialogue over the course of the pandemic, many are turning more attention to their estate plans. Here are some important considerations in protecting yourself and your loved ones.

Life can be unexpected. For so many, this saying has never resonated as strongly as it has during 2020 and 2021. With the difficult realities of the COVID-19 pandemic and the significant impacts experienced, these times have caused many Canadians of all ages to reflect on what matters most. These times have also shown the importance of being prepared to the degree that's possible, having your affairs in order and the peace of mind that proper planning offers.

Estate planning and the pandemic: A change in dialogue

If you were to look back at mainstream media or among the general population in years and decades past, estate planning typically hasn't been a highly covered or discussed subject. It's not an easy topic, and understandably comes with a number

of sensitivities that many have traditionally found to be difficult to think about, let alone talk about with loved ones. More recently, however, there's been more exposure around topics such as Wills, Powers of Attorney (POAs) and planning ahead for one's estate overall, which has created important growth in public awareness.

"Over the course of the COVID-19 pandemic, there's been a distinct impact on awareness and a greater openness to having conversations around this area of planning," says Leanne Kaufman, President and CEO, RBC Royal Trust.

"Prior to these times, for many individuals and families, those conversations were often at best uncomfortable. Over the past year-and-a-half, everyone has had to face

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the unknown, the unexpected and the potential for their own mortality or that of a loved one. That’s an incredibly difficult thing to have to do,” Kaufman notes. “At the same time, it has really opened up the dialogue in an important and progressive way. More families are recognizing how crucial the planning is, as well as having those critical conversations with their loved ones.”

Your estate plans: Addressing the fundamentals

In hearing or reading the term “estate planning,” many tend to think primarily of a Will. In the administration of an estate, a Will is considered the guiding legal document. It’s where individuals express their wishes as to how property and possessions are to be distributed at death. As Kaufman notes, “Research tells us that only about half of Canadians have a valid Will, so first and foremost, it’s about making Will planning a priority. For those who do have a Will or once you have one created, it’s equally important to review it. Circumstances change consistently, and particularly in the Will, it’s not uncommon for circumstances to change in just a few years that would necessitate an update in the document. In the context of recent times, for some, there may be more cause for review.”

Further to having a valid and up-to-date Will, there are a number of other items that should be considered as part of a complete estate plan. Another fundamental component is a Power of Attorney (called a Mandate in Quebec), for property and for personal care.

For these documents, at the core is first giving careful and informed thought to your wishes and potential needs. Then, it’s about ensuring those details are properly documented and remain updated. “Another key aspect is to really give concerted thought as to whom you’re naming as executor or attorney in your Will and Powers of Attorney,” shares Kaufman. “With these decisions, it’s about educating one’s self about what you’re asking that person to do

for you—the time and effort it’s going to take and the stress it may cause. It’s also important to ensure the person you want to choose is willing to take on the role and understands what it entails.”

Often within families, there’s a common assumption that children are natural choices to act as executors or attorneys. When thinking about what that means, and how things could go off course, however, it may cause some to give pause. “With a greater awareness recently, there seems to be more engaged discussion around what the realities or experiences are in these situations, and people seem to be developing a better understanding behind the significance of these choices,” explains Kaufman.

Another important consideration is family harmony, and thinking about estate planning and related conversations from that standpoint. This is something that each person will have a unique level of comfort with and there may be a tendency to avoid the difficult discussions. As Kaufman shares, “It’s a personal choice, but I think the important thing to remember is that there are effective ways to have those advance conversations with your loved ones and set them up for a smoother transition if and when the time comes.”

Note: *In drafting or updating a Will or Power of Attorney, it’s crucial to consult with qualified legal, tax and estate professionals to ensure your situation and needs have been appropriately accounted for and accurately documented.*

Turning attention to incapacity planning, no matter your age

“The realities of the pandemic have also brought more specific attention to Powers of Attorney and advanced care directives, and I think that’s a really important shift,” explains Kaufman. “That awareness can be quite empowering in helping people take those steps to plan accordingly.”

Often, people tend to think of a POA only in relation to age-onset dementia

Key reasons to review your Will

Note: This is not an exhaustive list. If any of the following apply to your circumstances, you should review your Will with your qualified legal advisor to determine if changes are necessary.

- Marriage, divorce, separation, a relationship with a new partner.
- An executor or named beneficiary has predeceased you.
- Significant change to your financial position (increase or decrease) or significant new assets.
- New additions to your family.
- Choices for executor, trustee, guardian for minor children (called a “tutor” in Quebec), or beneficiaries are no longer appropriate or require a change.

Note: *An executor is called an “estate trustee” in Ontario and a “liquidator” in Quebec.*

or as a document that’s needed only in later life. In general, however, everyone who has an asset likely needs a POA. For any adult, if something were to happen that led to a situation of temporary or permanent incapacity, there are distinct implications of not having a POA in place.

“There’s no one who can naturally or by law step into your shoes in a situation of incapacity, and nobody who will be recognized with the authority to deal with those assets on your behalf, even a spouse,” notes Kaufman. “What that means is someone has to apply to court, which can be an arduous and time-consuming process that individuals are left to manage while at the same time handling the emotions, grief or trauma of the situation with their loved one.”

With an advance care directive, which is a legal document that provides direction for a named substitute decision maker and healthcare team,

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it provides the opportunity to outline your choices. “This means addressing whether or not someone wants to be on life support, or have heroic measures. Or, if you’re temporarily or permanently incapacitated, who is your substitute decision maker? These questions and aspects have been really brought to the surface over the course of the pandemic. Again here, as the awareness builds, some are more likely to take those proactive and appropriate steps to prepare for the ‘what-ifs’ in life, and there’s an important sense of assurance that can come from that,” Kaufman reinforces.

And, when it comes to the mechanics of planning, “For many, while the thought of the planning and putting the correct documentation together can seem daunting, a POA can be a fairly simple document that doesn’t take a large amount of time to put together,” explains Kaufman.

Where do healthcare or homecare needs fit in?

When thinking about retirement and later years, the majority of Canadians have a general preference to remain at home for as long as possible. In fact, according to one pre-pandemic survey, 83 percent of respondents noted they would choose staying in their home and paying for care as their top choice. As a result of the pandemic and with some of the most difficult and significant impacts felt in care settings, there currently seems to be a potentially even stronger preference for aging in place.

“What living and care might look like down the road for us is something that we all need to start planning for and having conversations around,” shares Kaufman.

Depending on your stage of life, this type of planning may feel a ways down the road, but when you factor in elements like life expectancy and longevity and the costs of potential care, that may have a large impact on the choices you make in your current plans.

“When it comes to care, types of care and how you envision living in retirement and later life, it’s so important to have a clear understanding of what the options are and what the associated costs are for those potential needs and wishes,” shares Kaufman.

“With many people gravitating more strongly towards living out their lives at home, it’s critical to do your research and be cognizant of the high costs of care associated with staying at home if you do require assistance. There are also elements we can’t control, such as cognitive health issues and dementia, which add further complexities and needs for care. Whatever your choices are, it’s about ensuring they’re effectively applied and accurately reflected in your plans.”

How do you plan for your digital assets?

Out of necessity, the pandemic has also caused people to expand their digital footprints, for many in a large-scale way. What this means from an estate planning standpoint is that there’s a larger impact on your estate.

“When it comes to digital assets and accounts, whether it’s for financial, e-commerce, personal purposes or otherwise, there’s a value associated with it. In much the same way as with other types of property, your digital property forms part of your estate,” explains Kaufman.

Whether it’s personal digital assets such as your digital pictures in cloud storage, or financial digital assets such as online banking, rewards points or cryptocurrencies, a key aspect is pre-planning to make sure the value of those assets is never lost or overlooked as part of an estate, as well as if and how you want to preserve some of the more personal assets.

A key aspect to think about and understand in that regard are terms and conditions on platforms you use (i.e. anything with a username and

a password). “For each platform, it’s important to know that there are typically unique terms and conditions that dictate who has the authority to access it if you’re incapacitated or pass away. So it’s about looking into the process in advance to ensure the right steps are taken in planning to grant access in those situations,” explains Kaufman.

“Even something like your social media account—for those left behind, a lasting reminder of a loved one can be very difficult and emotional, and they may not be able to take the account down if pre-planning didn’t take place to grant appropriate access,” notes Kaufman.

From an executor lens, given the virtual nature of digital assets, it’s also crucial to give proactive thought to how the person acting in that role is going to find and access your assets if there’s no record of them and access hasn’t been pre-arranged.

Tying the planning together

For many, COVID and the resulting impacts have really brought to light the importance of considering all elements of estate planning and having meaningful discussions with family members and loved ones around the “what-ifs”.

“First and foremost is making sure you’re informed on different areas and elements of planning—the knowledge and the awareness can be powerful tools,” emphasizes Kaufman. “And then it’s about giving thought to your situation, needs and wishes, and that of your family, and pursuing the appropriate paths of planning. With so many uncertainties that Canadians and those all over the world have faced through these times, this really is a critical area of planning. Proper estate planning can help ensure you’re protected and it provides peace of mind for you and your family no matter what life may bring.”

Back to post-secondary school: RESP withdrawals

School may be out for summer, but it is never too early to start preparing for the coming school year. If the beneficiary of your Registered Education Savings Plan (RESP) has enrolled or is enrolling in post-secondary education, now is the time to use the RESP for its intended purpose. Below we have highlighted the process for a smooth and efficient RESP withdrawal:

1. Let us know that you intend to make an RESP withdrawal.

A member of our team will provide you with the required RESP withdrawal form for your signature.

2. We will need proof of enrollment.

Below are considered valid proof of enrollment documents:

- Enrolment letter from the Office of the Registrar;
- The student's course timetable;
- Invoice or receipt of payment for tuition.

Note that proof of enrollment must...

- ...be sent from the Office of the Registrar, printed on school letterhead, or printed from school's official website;
- ...clearly state the student's name; and

- ...clearly indicate the length of the program.

Educational Assistance Payments (EAP) consist of the government grant and income earned in the RESP. For first year students, the EAP is limited to \$5,000 for the first 13 weeks of full-time enrolment, and \$2,500 for part-time students. After 13 weeks have passed, additional payments can be requested and the \$5,000 (\$2,500) restriction on EAP is removed. Note that the EAP is taxable in the hands of the named beneficiary for the year in which the payment is made. A T4A slip will be issued to the beneficiary in February of the year following the withdrawal.

Back to 'Glamping' by Julie Handscomb

For me, nothing is as blissful as sitting with my husband Doug around a campfire, dinner on the grill, our feet up after a long day of exploring, and our pup Sophie enjoying a well-deserved nap by our side. Having not enjoyed the experience for what seems like forever, we recently took the opportunity to go back into the great outdoors to re-discover what "glamping" looks like for our family. Camping has come a long way from A-frame tents and pop-up trailers!



unpacked, organized and then shopped some more (special thanks to online shopping!). Finally we were all set. We loaded up our truck and trailer and hit the road—all to go just a mere 45 minutes from our home in Whitby, Ontario!

The weather was beautiful and we enjoyed our daily routine of walks, outdoor cooking and nightly campfires. Life in the outdoors was just as good as we remembered, and our short jaunt gave us the confidence we needed to start travelling even further from home to explore all that Ontario has to offer!

Counting fireflies...

Julie

Unfortunately due to the pandemic, our original camping plan was delayed by a few weeks; on the bright side however, this gave us more time to plan! I shopped, packed,

Benchmarks

Equity market 12-month trailing return (for month ending June 30, 2021)	
S&P/TSX composite total return index	33.9%
S&P 500 total return (C\$)	28.6%
S&P 500 total return (US\$)	40.8%
DJIA total return (C\$)	24.5%
DJIA total return (US\$)	36.3%
Nasdaq composite price return (C\$)	31.7%
Nasdaq composite price return (US\$)	44.2%

RBC CM Canadian bond market indices 12-month trailing return (for month ending June 30, 2021)	
Short-term index	0.7%
Intermediate-term	-1.4%
Three-month T-Bill (C\$)	0.1%
Three-month T-Bill (US\$)	0.1%

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