Steele Wealth Management | RAYMOND JAMES®

ESTATE PLANNING PACKAGE

Honest. Straightforward. Expertise.

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Estate Planning

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YOUR ESTATE PLAN: A STEP-BY-STEP APPROACH

YOUR SITUATION

The financial implications of our passing and the devastating effect of a poorly planned estate distribution process are simply too great to ignore. By not planning ahead, we risk leaving our families burdened with financial difficulties, legal problems, increased stress and delays in the settlement of our estate. Estate planning doesn't have to be complicated. Here's a simple framework that will make it easy for you to work through the estate planning process.

STEP 1: ACCUMULATE INFORMATION

The Steele Wealth Management Estate Planning Package is a good first-step towards an informed estate plan. Compile a detailed list of assets and liabilities (include the current value and the original cost of each asset). Note whether those assets are individually or jointly owned. You'll also want to gather copies of important documents (your Will, Power of Attorney, etc.) and financial statements. Your will speaks for you upon your death. It truly is the cornerstone of most estate plans.

STEP 2: PREPARE A PRO-FORMA ESTATE VALUATION

Determine how much you'll be leaving to beneficiaries. Start with your net worth, and then list the projected costs and fees associated with your estate (include income taxes, capital gains taxes, probate fees, executor fees, etc.).

STEP 3: IDENTIFY ISSUES SURROUNDING DISTRIBUTION

Ask yourself: does my intended distribution accurately reflect my wishes? Is it "fair" to my heirs? Will my heirs have to sell assets to cover taxes and fees? Do I have an Executor? Is he or she the appropriate person for this task? Your answers should provide you with direction when it comes time to decide on specific estate planning strategies.

STEP 4: REVIEW OPPORTUNITIES AND STRATEGIES

Now you'll want to explore specific estate planning opportunities that address your individual financial situation. You may want to consider amendments to your Will, establishing a trust fund (or including provisions for one in your Will), or rearranging ownership of assets. You may want to investigate life insurance, or establish the framework for a charitable giving program.

STEP 5: IMPLEMENT THE PLAN

You now have a general idea of how to achieve your estate goals. Steele Wealth Management can help you refine your ideas, develop an estate plan that works for you, and put it into action. Just remember, estate planning is an ongoing responsibility, so be careful to keep your estate plan up to date as your situation changes.

ESTATE PLANNING CHECKLIST

The first step in developing or reviewing your estate plan is to look at your current situation, to know where you are today and assess what you want to do. An estate plan, like any plan, reflects your situation and what you want to do at the time it is prepared.

Take this quiz. Any "No" or "Unsure" answers may require special attention.

Yes	No	Unsure	
☐	☐	☐	Have you prepared and signed a will?
☐	☐	☐	Have you prepared and signed a financial power of attorney?
☐	☐	☐	Have you recently reviewed your will and power of attorney?
☐	☐	☐	Is your will and powers of attorney for financial matters up to date?
☐	☐	☐	If you are married or cohabitating, have you taken steps to protect any assets you brought into the relationship?
☐	☐	☐	Have you named beneficiaries and alternative beneficiaries for your RRSPs, annuities, life insurance policies, LIFs and RRIFs, pension plans, and/or DPSPs?
☐	☐	☐	Are your beneficiary designations up to date?
☐	☐	☐	Have you named a backup executor in your will and backup powers of attorney?
☐	☐	☐	Have you provided for all your dependants?
☐	☐	☐	Have you ensured that your spouse will not have to make a claim against your estate?
☐	☐	☐	Have you estimated your income tax due on death?
☐	☐	☐	Have you left assets to your spouse which can be rolled over tax-free?
☐	☐	☐	Have you estimated the cost to have your will probated?
☐	☐	☐	Have you reviewed how to best register the ownership of assets?
☐	☐	☐	Do you have enough cash to pay the cost of dying - including income taxes and executor and probate fees - without forcing the sale of family assets?

- [ ] [ ] [ ] If you have specific wishes regarding your funeral, have you left instructions with your executor?
- [ ] [ ] [ ] Have you prepared a living will or medical directive?
- [ ] [ ] [ ] Have you prepared a power of attorney for personal care or a health care proxy?
- [ ] [ ] [ ] Have you documented your wishes regarding organ donations?
- [ ] [ ] [ ] Have you considered making a planned gift to charity?
- [ ] [ ] [ ] If you have a business, do you have a succession plan?
- [ ] [ ] [ ] Does your spouse/children/executor know the names and addresses of your professional advisors?
- [ ] [ ] [ ] Does your spouse/children/executor know where to find your financial records, income tax returns, bank accounts, safety deposit box and insurance policies?
- [ ] [ ] [ ] Have you prepared a personal inventory?
- [ ] [ ] [ ] Have you prepared all the necessary documents (including will, living will, powers of attorney) for your estate plan?
- [ ] [ ] [ ] Do you have all the information you need to complete your estate plan?
- [ ] [ ] [ ] Is your estate plan up to date?

From: You Can't Take It With You: The Common-Sense Guide to Estate Planning for Canadians

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THE EXECUTOR CHECKLIST

The following is a general checklist of some of the more common duties that an executor may be required to deal with:

- [ ] Complete all funeral arrangements and attend to the burial or cremation of the deceased.
- [ ] Locate the original will.
- [ ] Meet with the lawyer that will represent the estate in all legal matters.
- [ ] Take all necessary steps to preserve and protect the assets of the deceased.
- [ ] Locate all of the bank accounts of the deceased and determine the balance on deposit for each account. Notify the bank of the death.
- [ ] Locate all insurance policies, annuities and investments and determine the amount payable for each.
- [ ] Notify the necessary companies of the death.
- [ ] Notify the applicable pension offices of the death.
- [ ] Locate the key of the deceased's safety deposit box and prepare an inventory of its contents.
- [ ] Completely review all personal papers of the deceased in order to locate all assets and debts.
- [ ] Review all real estate documents including, deeds, mortgages and leases.
- [ ] Prepare a detailed estate inventory of all of the deceased's assets and debts. Open an estate account for depositing funds received.
- [ ] Arrange for the storage of assets requiring storage and advise insurers of any physical assets of the deceased.
- [ ] Have you reviewed how to best register the ownership of assets?
- [ ] Arrange for any insurance coverage required.
- [ ] Notify the beneficiaries named in the will of the death and advise them of their entitlement under the terms of the will.
- [ ] Arrange with the post office for mail to be readdressed, if necessary.
- [ ] Cancel any subscriptions or charge accounts and return or destroy all charge cards.

- [ ] Contact all service clubs and veterans clubs for death benefits that may be payable to the estate.
- [ ] Obtain all unpaid wages and other benefits from the deceased's former employer.
- [ ] Apply to your provincial Court (General Division) for Letters Probate (if there is a will) or for Letters of Administration (if there is no will) and pay all probate fees to the Court.
- [ ] Advertise in a local newspaper with a Notice to Creditors and Others, if necessary.
- [ ] Arrange for the filing of an income tax return for the year of death and for any former years that may not have been filed by the deceased.
- [ ] Apply for Canada Pension Plan benefits if the deceased qualifies for benefits.
- [ ] Apply for civil service, union and veteran's benefits, if applicable.
- [ ] Apply for any amounts payable to the estate under insurance policies.
- [ ] Sell any estate assets, which must be sold, and those, which the personal representative chooses to sell provided that this power is given under the will.
- [ ] Pay funeral expenses, income taxes payable, charge cards, personal loans and any other debts of the deceased.
- [ ] Obtain an income tax refund, if applicable.
- [ ] Pay all money bequest and distribute all other property to the rightful beneficiaries pursuant to the terms of the will and obtain releases from all beneficiaries.
- [ ] Transfer or cancel any insurance policies on the house, car, boat, etc.
- [ ] Obtain reimbursement for all necessary and reasonable expenses incurred in the administration of the estate (with receipts).
- [ ] Pay legal fees and all other outstanding fees relating to the administration of the estate.
- [ ] Pass accounts before a judge of your provincial Court (General Division), if necessary.

From: You Can't Take It With You (3rd edition) Wiley Canada 1999.

WILL PLANNING 101

The concept of a trust was recognized in Roman times, and trusts have been used in England since the eleventh century. Since then, trusts have evolved into complex legal arrangements, but the basic trust structure remains relatively simple. At its most basic, a trust is a legal arrangement between three parties: the settlor transfers ownership of property to a trustee, who holds it for any number of beneficiaries.

PREPARING YOUR WILL

Record Your Assets: such as home, car, cottage, business interests, life insurance, and investments. Review the ownership of these assets. For life insurance policies or registered plans such as RRSPs or RRIFs, see who the named beneficiary is. You should also keep records of what you owe, such as the mortgage on your house, bank loans, private loans, and other.

Divide Your Estate: this should include an estimate of what your estate will be worth and the taxes owing on your death.

Select Executors: the executor administers and protects your estate in a prudent and responsible manner. Before selecting your executor(s) make sure that they are comfortable with the responsibilities that they will incur. You should choose an executor who is trustworthy, and somewhat familiar with tax, estate, accounting and investment issues. You can name one or more executors to carry out your instructions.

Determine Who Will Take Care of Your Children: it is up to the courts to decide what is in the best interest of the child(ren). However, the parents' wishes usually play a significant part in the courts' decision. In your will, you can name someone to take custody of your children. You may want to appoint a guardian that is different from your executor/trustee to avoid any possible conflicts of interest.

When preparing a will, it is recommended that you seek services of an experienced lawyer. Wills must satisfy certain technical requirements and if the court does not agree with the way you have prepared your will, or if parts of it are unclear, it may be declared invalid.

WHEN TO REVIEW YOUR WILL

You should review your will regularly and amend it whenever there are significant changes in your life or the lives of your heirs. A will should also be reviewed after a change to tax, family, or successor laws.

IF YOU DO NOT HAVE A WILL

If you do not have a will, you will pass away intestate. Without a will, provincial law decides how your estate will be distributed. Usually, your spouse receives a certain amount of your estate, and the balance is divided between your designated heirs. For children under 18, the courts will probably have to administer their portion of the estate. If you don't have children and if you aren't married, your assets will usually go to your closest relatives such as parents, brothers and/or sisters.

If you die intestate, the court will appoint an administrator to settle your affairs. An administrator will be restricted to handling your property in the manner set out by provincial law, regardless of what your wishes may have been. The process of appointing an administrator can be expensive and will delay the distribution of your estate.

PROTECTION FOR YOU AND YOUR FAMILY

Preparing a properly drawn will is the foundation of estate planning. The goal of having a properly drafted will is to ensure your assets will be distributed according to your wishes and that your loved ones will be provided for in a tax-efficient manner. Considering the small cost of having will and the potential consequences of not having one, it is essential that everyone prepare a will.

Steele Wealth Management will be pleased to assist you and your advisors in this process and can also provide you with information on ways to tax-efficiently plan your estate.

THE BASICS ON UNIVERSAL LIFE INSURANCE

Life insurance is a vitally important component of any client's financial plan. Universal Life Insurance is one type of insurance that has become increasingly popular in recent years.

WHAT IS UNIVERSAL LIFE?

Universal Life insurance combines a life insurance policy with an investment savings component. Investors are free to build assets within a Universal Life policy, and upon death, proceeds from the savings portion of the policy are treated in the same way as the death benefit – they transfer tax-free to your beneficiaries. This dual structure makes Universal Life policies an extremely flexible financial planning tool.

TAX-SHELTERED INVESTING

Investment savings compound tax-free under a Universal Life policy. This makes it particularly attractive to high-income earners who have already "maxed out" their RRSP contributions. In addition, Universal Life policies offer a wide range of eligible investments and no foreign content restrictions.

TAX-FREE RETIREMENT INCOME

Structured properly, the savings component of a Universal Life policy can supply tax-free income during retirement. In such a structure, the policy's savings component can secure a series of loans, typically up to 90% of the fund value. Since loans are not considered taxable income, the money comes tax-free. Loan principal and interest are repaid upon death, while the balance of the policy (and its death benefit) passes to the named beneficiary.

ESTATE PLANNING FLEXIBILITY

A Universal Life policy is also an excellent estate planning tool. It can offset taxes owed on more illiquid portions of an estate (such as vacation property). The savings portion of a Universal Life policy means policyholders can build a substantial benefit, often larger than they might otherwise afford. In addition, since Universal policies offer "permanent" coverage (coverage until death) policyholders won't have to worry about failing health making them uninsurable.

For more information on Universal Life Insurance, please contact Steele Wealth Management.

THE TAXMAN WANTS A PIECE OF YOUR ESTATE!

Upon your death, you can transfer your assets to your spouse on a tax-free basis. However, when your spouse dies, up to 50% of the increase in your assets may be subject to a capital gains tax. In addition, your RRSPs and RRIFs will be fully taxable as income at that time. This is a big problem that most people are not prepared for!

IT'S A TICKING TAX TIME BOMB...

Example:

Asset	Current Value	Original Cost	Value in 20 Years	Capital Gain in 20 Years	Estate's Tax Bill *(50% Tax-Rate)*
Stocks	$200,000	$50,000	$1,345,500	$1,295,500	$323,875
Cottage	$300,000	$100,000	$541,833	$441,833	$110,458
Shares	$500,000	$200,000	$1,326,649	$1,126,649	$281,662
TOTAL	$1,000,000	$350,000	$3,213,982	$2,863,982	$715,996

THE SOLUTION

Life insurance can be the most effective estate planning tool to fund your tax liability. A unique and flexible life insurance plan can provide you with tax-free cash exactly when it is needed. It guarantees that your heirs won't lose their inheritance to the taxman. In addition, you can:

- Custom-tailor an insurance plan to pay your tax bill
- Increase estate liquidity and flexibility
- Choose a benefit that grows to keep pace with your potentially increasing tax liability
- Select the amount and number of deposits to suit your needs
- Invest in a broad range of diversified portfolios
- Accumulate non-RRSP savings in a tax-sheltered environment
- Take advantage of expert tax and estate planning advice

For more information about using life insurance to protect your estate, please contact Steele Wealth Management.

INSURING AGAINST CAPITAL GAINS TAXATION

A permanent insurance plan provides a simple way to preserve the value of your estate for your heirs.

YOUR SITUATION

A lifetime of hard work and success has allowed you to build a substantial non-registered investment portfolio of real estate, investment funds, stocks, bonds, shares of private corporations or other investments. Now, you begin to consider how to transfer assets to your children, grandchildren or charities in the most tax-efficient way.

If not planned properly, the executor of your estate could be burdened with a substantial tax liability and up to half of the estate's value can be lost to taxes. While you can defer taxes by "rolling over" your estate to a surviving spouse or spousal trust, capital gains tax must be paid upon the death of the second spouse. In this case, your heirs might be forced to sell the family's assets at fire sale prices to pay the tax liabilities left behind. However, there is a way to ensure that your estate goes to your loved ones intact, rather than to the government.

YOUR STRATEGY

The most cost-effective way to protect the value of your estate is with a permanent insurance plan. Purchasing a jointlast- to-die policy to cover the potential tax liability will provide your beneficiaries with tax-free funds to pay capital gains taxes and will thus preserve the value of your estate for you heirs at the second death. The plan can be more than just life insurance; it can also be designed as an economical wealth management tool that gives you the ability to tax-shelter nonregistered assets and reduce the capital gains tax burden for the estate.

For more information about insuring against capital gains taxes, and other tax-efficient wealth management strategies, please contact Steele Wealth Management.

THE BASICS ABOUT TRUSTS

Trusts can be used to maximize the value of your estate while minimizing taxes, fees, and other estate costs.

TRUST BASICS

The concept of a trust was recognized in Roman times, and trusts have been used in England since the eleventh century. Since then, trusts have evolved into complex legal arrangements, but the basic trust structure remains relatively simple. At its most basic, a trust is a legal arrangement between three parties: the settlor transfers ownership of property to a trustee, who holds it for any number of beneficiaries.

TWO BASIC TYPES

1. Testamentary Trust: This trust comes into effect upon the death of the settlor.
2. Inter Vivos (or Living) Trust: This trust becomes operative during one's lifetime.

In the case of an inter vivos trust, settlors must prove that they retain no beneficial interest in the trust if they wish to use it for tax purposes. Settlors may make a "statement of wishes" that outlines how they want the trust to be directed, but the trustee is technically under no legal obligation to follow these wishes. In practice, however, trustees always attempt to meet these wishes to the best of their ability.

TRUST BENEFITS

Trusts offer a number of estate planning benefits, including:

- Reduce probate fees by removing assets from an estate. In an "estate freeze," future asset growth is taxable to the trust rather than the estate.
- Offer excellent protection from creditors because title to trust assets resides with the trust.
- Be an excellent option for families looking to provide security for beneficiaries who cannot manage their own affairs.

Because of the complex legal and tax issues involved with trusts, professional advice is essential. If you are interested in exploring the possibility of using trusts in your estate plan, please contact Steele Wealth Management.

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