

ADVISOR

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THE CHALLENGES OF ESTATE PLANNING

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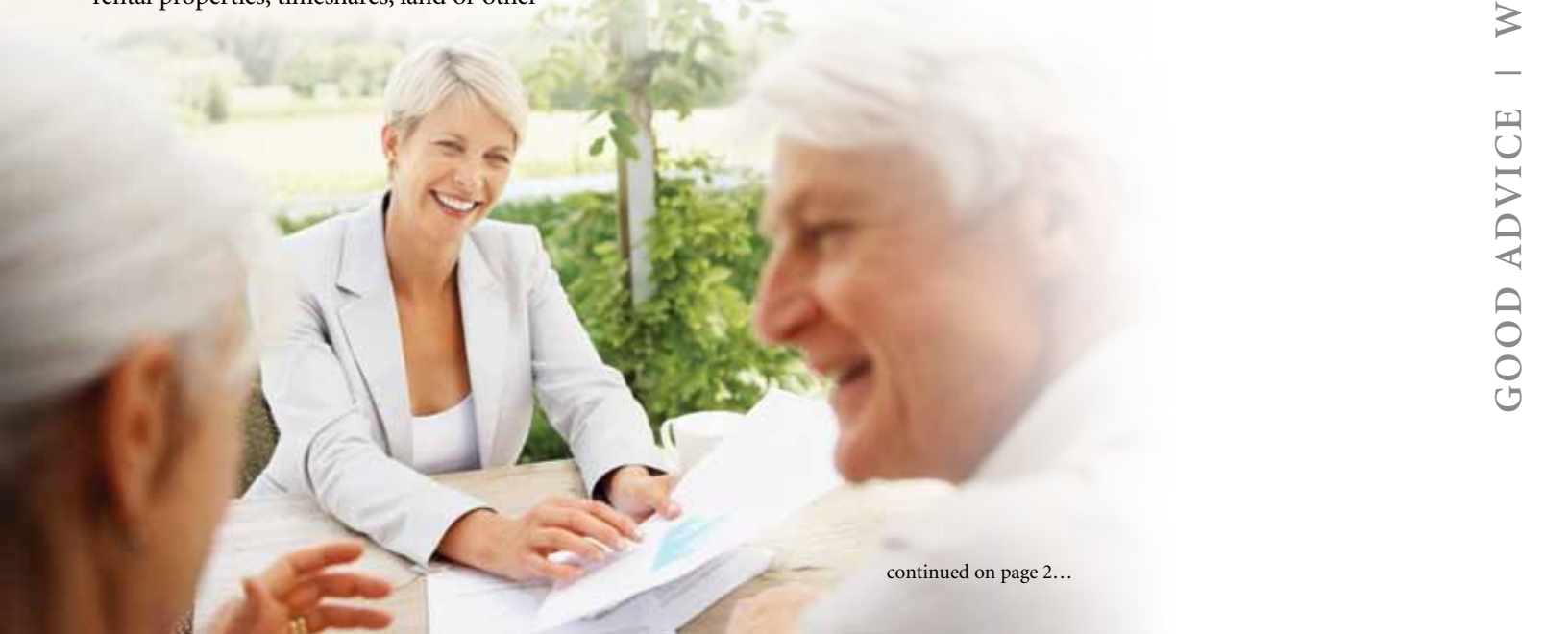
In the last issue of Nakamun Advisor, we looked at some basic estate planning tools that ensure your wishes are fulfilled after your death or incapacity. In this issue, we look at basic steps you can take to ensure your intentions and expectations are properly documented by your professional advisors and implemented by your representative(s).

STEP 1 – Inventory your assets and liabilities

A comprehensive inventory of your assets can be as simple as a written description of the possessions you own personally or jointly with someone else, the location of each item, and the approximate financial value of each at the time of writing. The list should include chequing and savings accounts, guaranteed investment certificates, bonds, stocks/shares, registered and non-registered investments, pensions, homes, rental properties, timeshares, land or other

property, partnership interests, accounts receivable, royalty or mineral rights, art, collectibles, vehicles, and other assets that have financial value. As well, list all insurance policies.

The list of liabilities should include any amounts you owe personally or jointly to any creditor, such as mortgages, lines of credit, credit cards, personal loans, IOUs, and promissory notes. If you have co-signed or guaranteed a loan for any person or business operation, be sure to include that, as well.



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STEP 2 – Decide what you want done with each asset and liability

After completing Step 1, consider what you would want done with each asset and liability if you died tomorrow. What needs to be sold? Who do you want to have what? What will your executor have to do to implement your wishes? What difficulties might your executor encounter?

How much and when would income or capital gains taxes need to be paid? What other costs might be encountered? Will there be sufficient cash available? If not, what can be sold? When and by whom?

If you are comfortable with the answers to these questions, much of the hard work has already been done. If not, you need to resolve the issues so you can answer the questions to your satisfaction.

STEP 3 – Carefully select your executor(s) and/or trustees

People who are asked to serve as executor or trustee are often honoured and accept the role without fully realizing what is involved.

In simplistic terms the responsibilities of an executor are to:

- Identify, locate, and secure all assets of the deceased
- Identify, verify, and pay the debts and taxes of the deceased

- Verify specific entitlements of each named beneficiary
- Liquidate or distribute assets as instructed in the will of the deceased
- Attend to all legal, accounting, and financial administrative matters relating to the estate

Performing the duties of an executor can be daunting. Multiple duties, obligations, filing details, and other tasks can be difficult and time consuming. Administering an estate can take months or even years to complete, and executors can become personally accountable for legal liabilities of an estate.

When assessing candidates for your executor, consider age, health, energy level, and location, as well as their other time commitments, skill level, training, experience, acumen, and knowledge of your affairs. You may also want to identify an alternate executor or two in case your first choice is unable or unwilling to assume the responsibilities.

Consider, also, if you believe your executor should hire professional assistance in processing your estate. If so, identify the lawyer, accountant, and/or financial planner who will be able to provide the most effective assistance.

STEP 4 – Take action

Once you've worked through the previous steps, you'll have a good understanding of the issues to raise with your advisory team. This team should include a lawyer with wills and estate expertise in your home province, an accountant with experience in estate tax planning and terminal income tax returns, and your Nakamun Advisor. With your guidance, this team will create and document a viable plan that fulfills your wishes.

Each member of your advisory team will have a complimentary perspective on how best to reach your planning goals. Ensuring each member is fully engaged in the process, before the documents are created can avoid costly revisions and minimize unexpected outcomes after it's too late. 🌱



ADDED, IMPROVED, OR CHANGED BY THE BUDGET

By Garry Keiller, The Nakamun Group, Edmonton

The June 6 Federal Budget proposed a number of additions, improvements, and changes to existing legislation. The following are some of the items that might apply to you or a family member.

FOR YOUNG FAMILIES

- Children's Arts Tax Credit — this new tax credit will benefit parents whose children participate in eligible artistic, cultural, recreational, or developmental activities
- Child Tax Credit (CTC) — the rule that limits the number of CTC claimants to one per household will be repealed to ensure that sharing a home does not prevent otherwise-eligible parents from claiming the CTC
- Canada Child Tax Benefit (CCTB) and GST/HST Credit — individuals receiving CCTB will be required to report a change in marital status; and advance payment threshold for CCTB and GST/HST Credit will increase

FOR CAREGIVERS

- Family Caregiver Tax Credit — starting in 2012, this new tax credit will be available for caregivers of dependents with a mental or physical infirmity
- Caregivers will be able to claim an enhanced amount for an infirmed dependent under one of the existing dependency-related credits
- Infirm Dependant Credit — in 2012, the threshold for phasing out the credit will be increased
- Medical Expense Tax Credit — the existing \$10,000 maximum limit on eligible expenses will be removed

FOR VOLUNTEERS

- Volunteer Firefighters Tax Credit — a new tax credit will benefit eligible volunteer firefighters

FOR STUDENTS

- Tuition Tax Credit — the eligible expenses will be expanded to include fees and certain other expenses paid to a qualifying institution for an examination required for a recognized professional status, license, or certification in order to practice in Canada
- Registered Education Savings Plan (RESP) — similar flexibility between individual RESPs established for siblings will be allowed as currently exists for family plans
- Education Tax Measures — in order to be eligible for the Tuition Tax Credit, Education Tax Credit, Textbook Tax Credit, and Educational Assistance Payments from a Registered Education Savings Plan, the minimum course duration requirement will be reduced from 13 to 3 consecutive weeks for Canadian students in full-time attendance at a university outside Canada

FOR DISABLED INDIVIDUALS

- Registered Disability Savings Plan (RDSP) — earlier access to RDSP savings for those with a physician-certified shortened life expectancy will be allowed (With all the new RDSP rules that have been introduced, we urge anyone who qualifies to contact your Nakamun Advisor)

FOR REGISTERED RETIREMENT PLAN HOLDERS

- Registered Retirement Savings Plan (RRSP) and Registered Retirement Income Fund (RRIF) — changes to

existing anti-avoidance rules for RRSPs and RRIFs will be implemented to curtail certain complex tax planning strategies which purport to enable individual holders to access funds without incurring tax. Be wary of any scheme promising "tax free" withdrawals from RRSPs and RRIFs

- Individual Pension Plans (IPP) — annual minimum withdrawals from IPPs will be required, similar to current minimum withdrawals required from RRIFs; and past service contributions to IPPs will change


FOR TAXPAYERS INCOME-SPLITTING WITH MINORS

- New tax rules will apply to certain capital gains, when income-splitting with a minor

FOR INVESTORS IN MINERAL EXPLORATION

- Mineral Exploration Tax Credit — eligibility for this tax credit will be extended for one year to flow-through share agreements entered into on or before March 31, 2012

FOR FURTHER INFORMATION

If one or more of the Budget items apply to you, and you require further information, details are available at www.budget.gc.ca on the Internet. 





CANADA PENSION PLAN CHANGES

If you started or will start collecting Canada Pension Plan (CPP) benefits *after* December 31, 2010, you may be affected by changes that are occurring in 2011 and subsequent years. If you started receiving CPP benefits *before* December 31, 2010, the changes do not apply to you, however, you can choose to take advantage of those for which you still qualify.

CHANGES TO CONTRIBUTION RULES

Currently, regardless of your age, once you start collecting CPP benefits, you cannot contribute further to CPP.

Starting in 2012, if you collect CPP benefits before age 65, you and your employer will be *required* to make CPP contributions. Again, if you started collecting early CPP benefits prior to January 1, 2011, this does not apply to you.

Under the new contribution rules, once you reach age 65, regardless of when you started collecting CPP benefits, you can make voluntary contributions until your 70th birthday. If you do, your employer will be required to contribute, as well.

This new type of contribution will go toward a Post-retirement Benefit (PRB), which will become payable on January 1st of the year following your PRB contribution. The additional benefit will be added to your current payment, gradually increasing your retirement income.

CHANGES TO BENEFITS CALCULATION

Currently, when calculating your benefits, CPP allows you to drop up to 7 years of low or no earnings, or 15 percent of your career earnings. In 2012, the years you are allowed to drop will be increased to a maximum 7.5, or 16 percent of career earnings. In 2014, those numbers increase to 8 years or 17 percent.

CHANGES TO BENEFITS QUALIFICATION


Currently, the maximum amount you can earn in the months before and when you start collecting CPP benefits is \$900 per month. In 2012 this qualification will be removed.

CHANGES TO EARLY OR LATE BENEFITS

Currently, if you start collecting CPP benefits before age 65, your pension is reduced by 0.5 percent per month before your 65th birthday. For example, if you retire 10 months prior to your 65th birthday, your monthly benefits are reduced by 5 percent. Between 2011 and 2016, this monthly rate of pension reduction will be phased to 0.6 percent.

If you delay starting to collect CPP benefits until between your 65th and 70th birthdays, your pension currently increases by 0.5 percent per month after your 65th birthday, to the maximum on your 70th birthday. This pension increase will be phased to 0.7 percent between 2011 and 2013.

CONTACT YOUR NAKAMUN ADVISOR

If you would like assistance with your CPP decisions, please contact your Nakamun Advisor. 

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