

Protecting your wealth today and beyond.

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WHEN IT COMES to financial planning, creating an estate plan is a task that routinely gets pushed to the bottom of the pile despite its importance. Some assume that estate planning is only for the wealthy, while others feel they are too young and still have plenty of time to plan in the later years of their life. Whatever the reason, only 50% of Canadians have a written Will.¹

The reality is that regardless of your income or age, anyone with assets, debts, and dependants should have an estate plan. The estate planning process can be intimidating and confusing to many, but it doesn't have to be. Depending on your personal situation, an estate plan can be as simple or as comprehensive as you need it to be.

In its simplest form, an estate plan helps to outline how your assets should be distributed after you are gone. A proper plan should also name guardians for your children and outline how your loved ones should approach medical and financial decisions should you become incapacitated.

Although it's easy to put off this process, the time put into creating an estate plan is far outweighed by the peace of mind that comes from knowing your loved ones will be taken care of and your assets will be distributed according to your wishes.

Common components of an estate plan include:

CREATING A WILL

A properly drafted Will should be the cornerstone of every estate plan. Without a Will (known as dying intestate), legislation may govern who your beneficiaries are and how your assets will be distributed, which may not necessarily reflect your wishes. Generally speaking, it is more costly and time-consuming to administer an intestate estate and you may forfeit certain probate and tax planning opportunities.

In order for a Will to be effective, it should outline your beneficiaries and how assets are to be distributed, name guardians for your minor children, designate an executor to administer and carry out the instructions of your Will and provide guidance on your funeral arrangements. In order for a Will to be valid, it's best to seek the advice of a lawyer to create a formal (or

Notarial in Quebec) Will. A Holograph Will, which is entirely handwritten, can be easily contested by the courts.

Lastly, your Will should be stored in an accessible and secure place such as a safety deposit box and you should let your executor know where it can be found.

APPOINTING AN EXECUTOR

When creating a Will, choosing an executor to carry out your wishes is one of the most important decisions that you will make. An executor is a person or trust company that you appoint to settle your estate and carry out the wishes outlined in your Will. While many people consider it an honour to be named an executor, it is a demanding and time-consuming responsibility, especially with today's increasingly complex estate and tax laws. When choosing an executor, thought should be given to the expertise, availability and willingness of the individual to assume this role given what's involved. An executor's role normally begins with locating and reviewing the deceased's Will and ends with closing the estate accounts, with many other legal responsibilities along the way.

ESTATE PLANNING: Protecting your wealth today and beyond

ESTABLISHING POWERS OF ATTORNEY

A comprehensive estate plan should include a plan for possible future incapacity. A Power of Attorney (Mandate for Incapacity in Quebec) is a legal document that gives the power to make financial and medical decisions on your behalf in the event you become incapable of managing your own affairs. There are two types of Powers of Attorney to consider. One is for property management and one is for personal care. Your spouse or partner cannot automatically act on your behalf. Without a Power of Attorney, they may need to apply for a court order to act as your guardian for property and/or personal care. As well, having a trust company as your Power of Attorney for property can help minimize the burden on your family to make decisions during a difficult time.

DESIGNATING BENEFICIARIES

A common estate planning tool is to name beneficiaries on your registered accounts, pension accounts, and life insurance benefits. Since assets with a designated beneficiary will pass outside of your estate, probate fees (also known as estate administration fees) are not payable on these assets and they can be passed directly to your named beneficiaries. If you do not specify a beneficiary on such accounts, the assets will become part of your estate

and may be subject to probate fees. You should also consider updating the named beneficiaries on these accounts periodically and especially after a life event. The estate planning process is a good time to review the named beneficiaries for your accounts. Often, beneficiary designations can undo some of the hard work that you have put into drafting your Will.

Similar to a financial plan, once you have an estate plan in place, you should revisit it from time to time to ensure that it continues to reflect your wishes. Particular attention should be paid to your choice of executor and Powers of Attorney, as well as the guardians for your children to ensure these decisions are still appropriate. Experts recommend reviewing your estate plan every three to five years and after a major life event such as a birth, death, marriage or divorce, or when you experience a significant change in your financial situation.

FINAL THOUGHTS

Given the various components of an estate plan, it's important to work with a dedicated team of professionals that have expertise in this area. A Scotiabank Investment Specialist can provide you with guided access to our Scotiabank Wealth Management experts who have the knowledge, resources and expertise to understand your unique situation and put the right estate planning strategies in place to help you meet your goals. ■

ESTATE PLANNING BY THE NUMBERS

Only **HALF** of Canadians have a written Will¹



86%

of Canadians with a Will consider it a **vital part** of their financial plan¹

Top **Excuses** for not having a Will¹

I don't have enough assets to justify a Will

I don't know where to start

I'm too young

33
percent



of Canadians have a *Power of Attorney* for property (or a mandate for incapacity in Quebec)¹

Canadians over 55 years old are more likely to have a *Power of Attorney*

(than their younger counterparts).¹



¹Scotiabank Investment Poll – November 2013



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