Life Insurance and Estate Planning

An educational program for individuals and families anticipating or now in retirement

Understanding the importance of Security & Structure

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Introduction

Estate planning is one of the elements of a sound financial plan. It is the process of arranging your property and affairs in a manner that meets your goals with respect to the distribution of your property upon death. It is also about planning to meet the needs of your survivors. Life insurance is one of the tools often used in planning an estate. Another important tool is a will. This module will focus on:

1) Life Insurance
2) Will Creation
3) Other Important Estate Planning Considerations

1) Life Insurance

When you die, your earned income is lost. This could mean that those who are financially dependent on you would suffer a considerable reduction in their standard of living. One of the purposes of life insurance is to provide sufficient capital to replace your earned income for the benefit of your financial dependents. It is important in risk management planning to understand the components involved in estimating life insurance needs, as well as the different types of insurance that are available.

2) Will Creation

If you die without a will, the government has one for you. It is important to understand the consequences to your survivors if you do not have a will. A will speaks for you, expressing your specific wishes in the event of your death. Will creation is an essential part of the estate planning process. It is important to understand the terminology associated with a Last Will and Testament and the various components involved in developing a will in order to have your wishes respected.

3) Other Important Estate Planning Considerations

Death and taxes are unavoidable. Taxes imposed as a result of death should be a matter of some concern.

It is important to be aware of the potential tax consequences to your estate. You will want to ensure sufficient estate liquidity and plan your affairs to minimize the potential tax burden on your estate. **Trusts** and **Powers of Attorney** are important estate planning tools that may help you achieve your objectives.

This module will not make you an expert in estate planning. You should consult professionals in order to achieve your security and estate planning goals. This module is intended to provide you with the basic knowledge you should have to assist you in working with various advisors.

Agenda

- **Introduction**
- **Estate Planning Process**
- **Life Insurance**
- **Death and Taxes**
- **Wills**
- **Special Considerations**
- **Trusts**
- **Powers of Attorney**

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Learning Objectives

- To gain a basic understanding of the various factors that influence your personal life insurance needs.
- To gain a basic awareness of the various significant elements of an estate plan, including life insurance, taxation, wills, testamentary trusts, and powers of attorney

What do you want to learn in today's session? List 2 or 3 main points

Life Insurance and Annuities

- Two opposites address opposite risks
- Life Insurance protects from dying early (leaving liabilities)
- Annuities protect from dying late (outliving your money)

Life insurance and annuities were both created to help people of modest means address risks in life. Life insurance essentially protects against dying too soon and annuities protect against living too long. Without these products, people have to plan for the worst-case scenario. With life insurance and annuities people can plan for the average scenario because when they are part of a large pool of insured people, the pool absorbs the costs of extreme cases (e.g. early or late death) knowing there will also be some people in the pool who compensate on the other end of the spectrum.

With life insurance, the policy purchaser makes regular small payments over time and gets a large lump sum paid back on death. With annuities, the purchaser pays a large lump sum at the beginning and gets paid back a small steady income stream over a period of time (usually as long as they live). A pension plan can be thought of as an annuity because the plan commits to paying the member a regular income stream for as long as he/she lives. Financially this is just like an insurance annuity but you contribute in regular small payments, not a lump sum.

Table 1: Life Expectancies

	Male			Female		
Age	**Probability of Death in Year**	**Remaining Years Expected to Live**	**Life Expectancy to Age**	**Probability of Death in Year**	**Remaining Years Expected to Live**	**Life Expectancy to Age**
0	0.709%	74.78	74.78	0.557%	81.02	81.02
5	0.020%	70.40	75.40	0.014%	76.56	81.56
10	0.015%	65.46	75.46	0.012%	71.62	81.62
15	0.065%	60.54	75.54	0.028%	66.68	81.68
20	0.109%	55.79	75.79	0.036%	61.79	81.79
25	0.114%	50.08	75.08	0.039%	56.90	81.90
30	0.122%	46.36	76.36	0.047%	51.01	81.01
35	0.149%	41.65	76.65	0.068%	47.14	82.14
40	0.185%	36.98	76.98	0.099%	42.32	82.32
45	0.276%	32.36	77.36	0.166%	37.56	82.56
50	0.449%	27.85	77.85	0.272%	32.91	82.91
55	0.752%	23.54	78.54	0.432%	28.40	83.40
60	1.275%	19.53	79.53	0.679%	24.08	84.08
65	2.040%	15.86	80.86	1.061%	19.98	84.98
70	3.199%	12.60	82.60	1.674%	16.14	86.14
75	5.058%	9.73	84.73	2.779%	12.60	87.60
80	7.991%	7.36	87.36	4.735%	9.45	89.45
85	12.282%	5.51	90.51	8.030%	6.89	91.89
90	18.145%	4.32	94.32	13.224%	5.06	95.06
95	25.802%	2.86	97.86	20.869%	3.35	98.35
100	35.475%	2.05	102.05	31.519%	2.25	102.25

Source: Life Tables, Canada and Provinces 1990-1992 and Report on the Demographic Situation in Canada, 1995, Statistics Canada Risk of Death

Individual Exercise

How likely am I to die?

On your own, answer the following questions:

1. Given your age and gender, what is your life expectancy?

2. Given your age and gender, how likely is it that you will die this year?

3. Who lives longer, males or females?

4. What factors would increase one's probability of dying earlier?

5. What's your plan if you die at 40? At 50? At 70? At 95?

Evaluating the Risk of Death

•Risk Severity
•Risk Probability

Evaluating the Risk

Risk Severity

Critical:
An occurrence would have very serious financial consequences, possibly leading to bankruptcy.

Material:
An occurrence would have serious financial consequences, certainly resulting in a reduction in standard of living.

Minor:
An occurrence would have little financial consequences, other than some minor loss of income or manageable expenses.

Risk Probability

High:
Occupational and /or recreational lifestyle choices highly increase the chance of premature death.

Medium:
Occupational and /or recreational lifestyle choices increase the chance of premature death.

Low:
Occupational and /or recreational lifestyle choices do not increase the chance of premature death.

Risk Management
Strategies

• Control
  Avoidance
  Reduction

• Financing
  Sharing or transfer
  Retention

Risk Management Strategies

A. Risk Control Strategies

To reduce the frequency, or how often a loss might occur

Risk avoidance:
avoiding any activities or situations that have a risk of death.

Risk reduction:
taking precautions when engaged in activities or situations that have a risk of death.

B. Risk Financing Strategies

To address the need for funds to cover potential losses arising from risks of death.

Risk sharing:
Sharing or transferring financial burden associated with the risk to someone else.

Risk retention:
Accepting the risk's financial costs.

Annuity as an Investment

- Return is modest
- Guaranteed income stream functions like fixed income in your portfolio asset allocation

Insurance annuities and pensions can provide a high degree of security as an alternative to other investments because the buyer is guaranteed an income stream regardless of what happens in the investment marketplace.

If one owns these products then some weight should be assigned to understand the overall asset allocation of their investment portfolio.

Buyers should understand that the risk associated with annuities is that the insurance company could go bankrupt (small probability). Similarly the risk with a pension is that the pension plan and the employer sponsoring it could go bankrupt.

In providing an approximate "fixed income equivalent value" to a pension plan or annuity several factors must be known. First is the number of expected years of life remaining for the buyer. In the simplest case, this assumes the buyer starts receiving the income stream immediately. If on the other hand there is a delay until payment begins or if there is a smaller stepped or "bridged payment until a certain age (e.g. bridge to age 65), then this too could be considered.

The second and third factors to consider are the amount and frequency of the payment stream.

The final factor is whether the income stream is taxable. While this fourth factor is not so critical in understanding overall portfolio volatility, it is valuable in determining a fixed income equivalent to the pension or annuity for comparison purposes.

As a general rule, if you can survive on the interest from a fixed income investment without touching the principal, then you will do better with fixed income investments than with annuities because you are not paying for offloading the risk of living too long. This implies you have more than enough money for your lifetime and will be leaving an estate of some sort.

Estate Planning Process

1. Define objectives
2. Gather and analyze relevant data
3. Identify strategies
4. Implement
5. Monitor and update

The Estate Planning Process

1. Define objectives:
Expressing what you want to achieve as explicitly as possible.

2. Gather and analyze relevant data:
This data collection would involve the completion of various personal financial statements including a Net Worth Statement, Cash Flow Statement, and an Income Tax Pro Forma. It is important to determine who is dependent on you for your financial support, and for how long they require it.

3. Identify strategies:
The development of strategies to achieve your objectives.

4. Implement:
The best intentions are not a suitable replacement for action. Deciding you will buy your life insurance tomorrow will not help if you die today.

5. Monitor and update:
All plans should be renewed and updated on a regular basis. It is generally recommended that estate plans be revised every five years, and immediately upon major life events (such as having children, getting married, getting divorced).

Potential Uses of Life Insurance

- Income Replacement
- Final expenses
- Debt repayment
- Children’s education
- Business owner’s special needs
- Income taxes

Income Replacement:
For many individuals, the main concern in estate planning is to replace the income that would be lost in the event of death, to ensure their dependents’ standard of living is not reduced.

Final Expenses:
Many estate planners estimate funeral costs to be somewhere in the range of $10,000 to $20,000.

Debt Repayment:
Many individuals desire to provide the capital outlay required for survivors to pay off all outstanding debt including mortgages, loans and lines of credit.

Children’s Post-Secondary Education:
Some individuals may wish to ensure adequate funding for all or part of their children’s formal education.

Business Owner’s Special Needs:
Business owners and entrepreneurs may have special needs for insurance to offset the possible risk, not only to their family, but also to their business partners and associates. In some cases business owners may wish to set in place *key person insurance* or policies which compensate the surviving partners with proceeds to purchase the deceased’s interest in the business from his or her family or estate.

and, of course, income taxes...

Income Tax Considerations

- Registered assets included in income
- Capital assets deemed disposed of

Estate Planning Tax Issues

- Liquidity
- Tax Minimization

Capital Assets

- Spousal Rollover
- Estate Freeze
- Capital Gains Exemption

Death and Taxes

Currently we do not have Estate or Death Duty taxes in Canada, however we do have income taxes payable in death. Tax deferred assets such as RRSPs become fully taxable in the year of our death if we do not assign a spouse as a beneficiary to these assets. Some individuals maintain life insurance to offset the taxes so that the estate is transferred to the heirs without substantial loss. In addition, the deceased may have substantial capital gains, which are deemed to be disposed of upon death. If there is no surviving spouse to roll the assets to, the estate is responsible for the income taxes payable on these gains. Quite often an estate isn't liquid enough to handle the income tax obligation, and the executor must sell assets to pay the taxes. For many of us, when we pass on the cottage to our children, our intention is for its continued enjoyment by our heirs, not liquidation!

An estate freeze is a strategy that can be used to minimize the income taxes due as a result of the deemed disposition of capital assets in death, by freezing the disposition at an earlier point in time.

There remains a $750,000 capital gains exemption available to qualified farm property and small business. Those assets that qualify will be eligible to have the first $750,000 of gains tax-exempt.

If you have concerns of this nature, it is recommended that you review your situation with a reputable financial advisor who specializes in tax and estate planning. It is imperative that you seek such advice if exploring an estate freeze.

Life Insurance Needs Analysis: Case Study

Use the following information to complete the life insurance needs analysis worksheet for Joe. Make any suggestions that you feel they may want to consider.

• Joe is 34 years old. He is married to Tammy, age 36. They have two children: Tia, age 6, and Jordan, age 8. Tammy has a part-time job and stays home with the children. She will be returning to full time employment shortly and expects to earn about 21,600/year take home pay.

• Joe earns $65,000/year and takes home about $4,000/month. They manage to live comfortably on this amount and do some regular savings.

• Their home is valued at $475,000, and carries a $300,000 mortgage. Their monthly payments are $1400.

• They have $10,000 in Canada Savings Bonds and $90,000 in RRSPs. Joe's RRSPs total $60,000 and Tammy's $30,000.

• Tammy and Joe are not concerned about providing for the post-secondary education of their children.

• In the event of Joe's death, they estimate that childcare costs would be about $500/ month.

• Joe has group insurance. The death benefit is 3 times his annual salary.

• CPP surviving spouse benefits and pension plan surviving spouse benefits are each $100, and pension plan surviving dependent benefits are each $300 per month. CPP dependent benefit is 215/month.

Life Insurance Needs Analysis – Case Study

The following summary will help you determine how much life insurance Joe may require.

Cash Requirements for Survivors

Mortgage Payout	______		
Loan Payout	______		
Education Funding	______		
Funeral Expenses	______		
Living Expenses for 6 Months	______		
Total Cash Requirements	______	→	______ **a**

Income Requirements for Survivors

Net Monthly Requirement (from Cash Flow)	______		
LESS			
10% reduction for deceased	______		
Mortgage Payment	______		
Loan Payment	______		
CPP Monthly Benefits	______		
Surviving Spouse's Income	______		
Pensions	______		
Other Monthly Income	______		
ADD			
Other Possible Costs e.g. daycare	______		
Total Monthly Requirement	______		
Multiply by 1.40*	*1.40		
	______		
Multiply by 220**	*220		
Total Capital Required to Fund Income Requirement	______	→	______ ***b***
Total Capital Required to Fund Survivor Needs	***(add a + b)***		______ ***c***

Current Provisions

Personal and Group Life Insurance	______		
Mortgage Insurance	______		
Loan Insurance	______		
Investment Assets	______		
50% of Registered Assets	______		
Other Death Benefits (i.e. CPP)	______		
Total Current Provisions	______	→	______ ***d***
Total Capital Required	***(c minus d)***		

*Gross up for taxes
**220 is the factor which, when multiplied provides you with the capital required to generate the income replacement if invested at 5.5% before tax without erosion of the capital.

Life Insurance Needs Analysis

Two copies are provided; one for you and one for your spouse or financial partner. This calculation is an estimate. You should discuss your investment needs with an experienced advisor.

Cash Requirements for Survivors			
Mortgage Payout	______		
Loan Payout	______		
Education Funding	______		
Funeral Expenses	______		
Living Expenses for 6 Months	______		
Total Cash Requirements	______	→	______ a
Income Requirements for Survivors			
Net Monthly Requirement (from Cash Flow)	______		
LESS			
10% reduction for deceased	______		
Mortgage Payment	______		
Loan Payment	______		
CPP Monthly Benefits	______		
Surviving Spouse's Income	______		
Pensions	______		
Other Monthly Income	______		
ADD			
Other Possible Costs e.g. daycare	______		
Total Monthly Requirement	______		
Multiply by 1.40*	*1.40		
	______		
Multiply by 220**	*220		
Total Capital Required to Fund Income Requirement	______	→	______ b
Total Capital Required to Fund Survivor Needs	***(add a + b)***		______ *c*
Current Provisions			
Personal and Group Life Insurance	______		
Mortgage Insurance	______		
Loan Insurance	______		
Investment Assets	______		
50% of Registered Assets	______		
Other Death Benefits (i.e. CPP)	______		
Total Current Provisions	______	→	______ *d*
Total Capital Required	***(c minus d)***		☐

*Gross up for taxes
**220 is the factor which, when multiplied provides you with the capital required to generate the income replacement if invested at 5.5% before tax without erosion of the capital.

Life Insurance Needs Analysis

Two copies are provided; one for you and one for your spouse or financial partner. This calculation is an estimate. You should discuss your investment needs with an experienced advisor.

Cash Requirements for Survivors			
Mortgage Payout	________		
Loan Payout	________		
Education Funding	________		
Funeral Expenses	________		
Living Expenses for 6 Months	________		
Total Cash Requirements	________	→	________ **a**
Income Requirements for Survivors			
Net Monthly Requirement (from Cash Flow)	________		
LESS			
10% reduction for deceased	________		
Mortgage Payment	________		
Loan Payment	________		
CPP Monthly Benefits	________		
Surviving Spouse's Income	________		
Pensions	________		
Other Monthly Income	________		
ADD			
Other Possible Costs e.g. daycare	________		
Total Monthly Requirement	________		
Multiply by 1.40*	*1.40		
	________		
Multiply by 220**	*220		
Total Capital Required to Fund Income Requirement	________	→	________ ***b***
Total Capital Required to Fund Survivor Needs	***(add a + b)***		________ ***c***
Current Provisions			
Personal and Group Life Insurance	________		
Mortgage Insurance	________		
Loan Insurance	________		
Investment Assets	________		
50% of Registered Assets	________		
Other Death Benefits (i.e. CPP)	________		
Total Current Provisions	________	→	________ ***d***
Total Capital Required	***(c minus d)***		

*Gross up for taxes
**220 is the factor which, when multiplied provides you with the capital required to generate the income replacement if invested at 5.5% before tax without erosion of the capital.

Insuring the Risk

- Where?
  - Group (Employment or Association)
  - Private (Broker or Agent)
- Type?
  - Term
  - Whole Life
  - Universal Life

Insuring the Risk

Group life insurance:
Often, the least expensive. This insurance is available through your employer. The amount you may obtain is usually dependent on your salary. This insurance is normally convertible to a personal Whole Life policy at higher premiums upon termination without proof of medical insurability.

Term insurance:
Provides protection during a specified period of time. This policy is generally renewable at the end of the term. Premiums usually increase at the end of each term. eg. 5 years, 10 years

Whole life insurance:
Provides protection over the lifetime of the insured. These insurance contracts generally have a savings component that is, in some cases, tax-sheltered. Premiums are generally constant over the life of the insured.

Universal life insurance:
Provides protection over the lifetime of the insured. These insurance contracts generally have a savings component that is, in some cases, tax-deferred. Premiums may remain constant or can be escalating like a term insurance contract. The savings component has a variety of investment choices.

Elements	Term	Whole	Universal
Term of Contract			
Cash Surrender Value			
Loan Value			
Dividend Option			
Paid Up Value			
Level Premium			
Increasing Premium			

Wills

- Intestate
- Testate

Concerns with Intestate Distribution

- Time
- Cost
- Guardianship
- Share to child may result in difficulties for surviving spouse
- Child not fit to handle share
- Estranged relatives vs. common law spouse
- Ex-spouses

Estate Planning & Wills

Special Note: Estate legislation is under provincial jurisdiction. Therefore, each province has slightly different considerations when estate planning.

A Will is a legal document that can carry out an individual's wishes upon his or her death. Wills may also facilitate harmony among the heirs and help prevent considerable anxiety for survivors. In this section, you will learn the importance of having a current Will and initiate the process of developing a Will

If you die without a Will – Intestate in _______________(your province) …

The Province writes a will for you. If you die without a Will (Intestate) your estate will be distributed as follows:

If you leave a spouse and no children or issue

If you leave a spouse and one child or issue

If you leave a spouse and two or more children or issue

If you leave a child(ren) only, but no spouse

If you leave no spouse or children or issue

If you leave no lawful heirs.

Preferential and Distributive Shares, Various Provinces

	If the deceased dies intestate and is survived by				
			Spouse and one or more children		
	Spouse Only	**Children Only**	**Preferential Share to Spouse**	**Distributive Share, Spouse and One Child or Issue of One Predeceased Child***	**Distributive Share, Spouse and More Than One Child or Issue of Predeceased Child***
Alberta	All to spouse	All to children	First $40,000	½ to surviving spouse, ½ to child or issue of predeceased child in equal shares per stirpes	1/3 to surviving spouse and 2/3 to surviving issue of the deceased in equal shares per stirpes
British Columbia	All to spouse	All to children	First $65,000	½ to surviving spouse, ½ to child or issue of predeceased child in equal shares per stirpes	1/3 to surviving spouse and 2/3 to surviving issue of the deceased in equal shares per stirpes
Manitoba	All to spouse	All to children	First $50,000	½ to surviving spouse, ½ to child or issue of predeceased child in equal shares per stirpes	½ to surviving spouse and ½ to surviving issue of the deceased in equal shares per stirpes
New Brunswick	All to spouse	All to children	No Preferencial Share	Personal chattels and ½ the residue go to surviving spouse, remainder to child	Personal chattels and 1/3 of residue to surviving spouse, remainder to children in equal shares per stirpes
Newfoundland	All to spouse	All to children	No Preferencial Share	½ the estate to spouse, ½ to surviving child or issue	1/3 to spouse, remainder to children or issue in equal shares per stirpes
Nova Scotia	All to spouse	All to children	First $50,000	½ to surviving spouse, ½ to child or issue of predeceased child in equal shares per stirpes	1/3 to surviving spouse, 2/3 in equal shares per stirpes to surviving issue of deceased
Ontario	All to spouse	All to children	First 200,000	½ to surviving spouse, ½ to child or issue of predeceased child in equal shares per stirpes	1/3 to surviving spouse and 2/3 to surviving issue of the deceased in equal shares per stirpes
Prince Edward Island	All to spouse	All to children	First $50,000	½ to surviving spouse, ½ to child or issue of predeceased child in equal shares per stirpes	1/3 to surviving spouse and 2/3 to surviving issue of the deceased in equal shares per stirpes
Quebec	All to spouse	All to children	No Preferencial Share	1/3 to spouse, 2/3 to child	1/3 to spouse, 2/3 to children
Saskatchewan	All to spouse	All to children	First $100,000	½ to surviving spouse, ½ to child or issue of predeceased child in equal shares per stirpes	1/3 to surviving spouse and 2/3 to surviving issue of the deceased in equal shares per stirpes

*Where a child of the deceased has predeceased the deceased, leaving issue, the distributive share of the surviving spouse is to be determined as if such child were alive at the deceased's death. However if the deceased dies, leaving a spouse and the only child predeceased him/her and left no issue, the entire estate goes to the surviving spouse.

Succession & Intestate Law

	Parent or Parents	Brothers & Sisters, or their issue	Nephews & Nieces	Other Family Members[1]	No Lawful Heirs
British Columbia	All to parents equally or the surviving parent if only one exists	Equally among brothers & sisters. Children of deceased take their parents' share	Equally among nephews & nieces	Divided equally among next of kin of equal degree	All to crown
Alberta	All to parents equally or the surviving parent if only one exists	Equally among brothers & sisters. Children of deceased take their parents' share	Equally among nephews & nieces	Divided equally among next of kin of equal degree	--
Saskatchewan	All to parents equally or the surviving parent if only one exists	Equally among brothers & sisters. Children of deceased take their parents' share	Equally among nephews & nieces	Divided equally among next of kin of equal degree	--
Manitoba	All to parents equally or the surviving parent if only one exists	Equally among brothers & sisters. Children of deceased take their parents' share	Equally among nephews & nieces	Other next of kin with fixed priorities and shares	--
Ontario	All to parents equally or the surviving parent if only one exists	Equally among brothers & sisters. Children of deceased take their parents' share	All to nephew or niece or equally to nephews & nieces	Divided equally among next of kin of equal degree	All to crown
New Brunswick	All to parents equally or the surviving parent if only one exists	All to brother/sister or equally among brothers & sisters. Children of deceased take their parents' share	All to nephew or niece or equally to nephews & nieces	Divided equally among next of kin of equal degree	All to crown
Prince Edward Island	All to parents equally or the surviving parent if only one exists	Equally among brothers & sisters. Children of deceased take their parents' share	Nieces & nephews in equal shares	Divided equally among next of kin of equal degree	All to crown
Nova Scotia	All to parents equally or the surviving parent if only one exists	Equally among brothers & sisters. Children of deceased take their parents' share	All to nephews & nieces, divided equally	Divided equally among next of kin of equal degree	All to crown
Newfoundland	All to parents equally or the surviving parent if only one exists	Equally among brothers & sisters. Children of deceased take their parents' share	Nephews & nieces in equal shares	Divided equally among next of kin of equal degree	--
Quebec	½ to parents & ½ to brothers & sisters equally & to nieces & nephews if applicable, otherwise all to parents	Equally among brothers & sisters & nieces & nephews	Nephews & nieces equally	Next of kin	All to crown

[1] Equal degree refers to equal degree of consanguinity to the intestate.

Creating a Will

- What constitutes an Estate?
- What is Probate?
- Who should inherit?
- When should individuals inherit?

What constitutes an Estate?
The assets we leave behind upon our death create an estate. Only things that we have full ownership of pass to the estate. Assets that are owned jointly with our spouses or another individual and are registered as "joint owners with right of survivorship" simply pass to the survivor and do not become part of the estate. However, assets registered as "tenants in common", the indivisible ownership of that individual does pass to the estate. This type of ownership is rarely seen, but is commonly used when there are multiple owners of recreational property or rental property.

What is Probate?
The executor of an estate applies to the courts to become recognized as the deceased's representative and presents a list of the deceased's assets and liabilities. A fee is paid to the court for review of the estate and to issue letters probate.

The table on the next 2 pages is a list of the current probate fees according to province:

Who should inherit?
This may seem like an easy question to answer but sometimes is can get quite complicated. Most of us wish to have our assets go on to our descendants, our bloodlines.

When should they inherit?
Large estates can **ruin** young lives. Deciding when a person should inherit the estate is very important. Partial distributions at varying ages may be an option particularly for young families. In some cases, we may wish the person to enjoy the "income" from the estate as long as they live but the capital will be paid to another individual(s). This is accomplished with a Testamentary Trust. A trust is created within your will.

Strategies to reduce Probate Fees

- Appoint beneficiaries, rather than estate, to:
  - Registered Assets
  - Life Insurance
- Use of “Joint Tenancy with Right of Survivorship” rather than “Joint Tenants in Common”

Summary of Provincial Probate Fee Schedules

Alberta	Where the net value of property in Alberta is: $10,000 or under — $25 over $10,000 and not more than $25,000 — $100 over $25,000 and not more than $50,000 — $200 over $50,000 and not more than $100,000 — $400 over $100,000 and not more than $250,000 — $600 over $250,000 and not more than $500,000 — $1,500 over $500,000 and not more than $1,000,000 — $3,000 over $1,000,000 — $6,000
British Columbia	If estate is less than $10,000, no fee is payable. If estate is over $10,000, then $200 for commencing a proceeding in the Supreme Court, plus $6.00 "for each $1,000 or part thereof by which the gross value of all the real and personal property of the deceased situated in the Province which passes to the personal representative exceeds $25,000."
Manitoba	Where the amount of property devolving is under $5,000 — $25 over $5,000 — $25 plus $6 for every $1,000 or fraction thereof The value of property for probate or administration purposes is the fair market value of the property less the amount of any encumbrances
New Brunswick	Where the value of the estate or the part thereof being administered a) does not exceed $5,000 — $25 b) exceeds $5,000 but not $10,000 — $50 c) exceeds $10,000 but not $15,000 — $75 d) exceeds $15,000 but not $20,000 — $100 e) exceeds $20,000 the sum of $5.00 per $1,000 or part thereof of the estate being administered
Newfoundland	$50 on the first $1,000 and $4 on each additional $1,000 or part thereof Probate applies to "an inventory and valuation of the estate in the province"
Nova Scotia	In estates not exceeding $10,000 — $75 exceeding $10,000 but not exceeding $25,000 — $150 exceeding $25,000 but not exceeding $50,000 — $250 exceeding $50,000 but not exceeding $100,000 — $500 exceeding $100,000 but not exceeding $150,000 — $600 exceeding $150,000 but not exceeding $200,000 — $800 plus an additional $5.00 for every $1,000 or fraction thereof in excess of $200,000. The value of the estate for probate purposes includes the "real and personal property of the deceased" that has come into the hands of the personal representative, but excluding "personal paraphernalia and articles of ornament" of the surviving spouse and infant children, and the "wearing apparel of the deceased."

Ontario	Of the value of the estate being administered i) on the first $50,000, per thousand dollars or part thereof, $5.00 ii) on the portion that exceeds $50,000, per thousand dollars or part thereof, $15.00 The probate fees are based "upon the value of the whole estate, including the real estate as well as the personal estate." however, when calculating the value of real property "there shall be deducted the actual value of any encumbrance thereon."
Prince Edward Island	On an estate with a probate value: up to $10,000 $50 $10,001 to $25,000 $100 $25,001 to $50,000 $200 $50,001 to $100,000 $400 exceeding $100,000, $400 plus $4 for each $1,000 or fraction thereof in excess of $100,000 Probate fees apply to an "estimate of the real and personal estate of the deceased person."
Quebec	Probate fees are not required for notarial wills. A basic charge of $45 is levied for the probate of holographic wills, or wills made in the presence of witnesses.
Saskatchewan	$7 on each $1,000 of sworn value or fraction thereof Probate fees are payable on "all the real and personal property of the deceased

Individual Exercise
Calculate the probate fee for Sam's estate based on the following information:

- $100,000 cottage with a $15,000 mortgage
- $400,000 RRSP
- $ 30,000 Savings/Chequing accounts
- $500,000 Life insurance proceeds

Recalculate the probate fee for Sam's estate upon finding out the following information:

- The cottage and the bank account are held in joint tenancy with right of survivorship with his spouse.
- He has designated his spouse as the beneficiary to both his RRSP and his life insurance.

Remember...

Income Tax Issues
vs
Probate Issues

Warning
It is extremely important to remember the income tax issues concerning ownership and beneficiary appointment. Probate and tax are completely separate issues and need to be addressed, both individually and then collectively. Many individuals, in an effort to save on probate fees, have inadvertently triggered significant and immediate tax consequences.

Seek appropriate counsel for estate planning issues.

Main Duties of an Executor

The Executor

Certain Provincial Statutes Vary These Duties

- Study of will and meeting with family
- Assemble, protect, and insure all assets
- Value assets such as: securities, real estate, private corporations
- Notify beneficiaries
- Prepare and file income taxes and death duty returns
- Prepare statement of assets and liabilities
- Complete life insurance claims and collect proceeds
- Convert assets to cash to pay legacies, debts, taxes, and death duties
- Prepare complete and detailed accounting
- Pay legacies, debts, taxes, and death duties

- Arrange for probate of will
- Consider and ascertain legal domiciles and matrimonial regime
- Estimate case requirements to settle legacies, debts, taxes, and death duties
- Advertise for creditors
- Review securities and provide management for investments and business
- Redirect mail, cancel leases, subscriptions, club memberships
- Collect income, stocks, bonds, mortgages, rent and other investments
- Notify stockbrokers, bankers, and business associates
- Distribute assets of estate per terms of will
- Set up and administer trust if directed by will

Will Planning Worksheet

Decide before going to the lawyer's office. This will save you time and money. Your lawyer will guide you with the specific issues that you would like to include.

Planning a Will

- Executor/Trustee and Alternates
- Guardian and Alternates
- Specific Bequests
- Residue
- Secondary distribution

Will Considerations

- Distribution to Minor/Adult Children
- Common Disaster
- Net Family Property
- Beneficiary Confirmation
- Spousal RRSP Contribution
- Other: Disposal, Personal Effects
- Powers

- Executor/Trustee and Alternates

- Guardian and Alternates

- Distribution to Minor/Adult Children

- Specific Bequests

- Common Disaster

- Net Family Property

- Beneficiary Confirmation

- Residue

- Spousal RRSP Confirmation

- Secondary distribution

- Other: Disposal, Personal Effects

- Powers

- Desirable additional powers – other than conferred by law to executors and trustees:
    - to retain investments and to invest and reinvest (not subject to trustee investments)
    - to continue business and enter into reorganization, amalgamations
    - to sell, lease, rent, hypothecate, grant option on movables and immovable
    - to compromise, settle and waive claims
    - to make partitions, distribute in kind
    - to borrow money for or advance money to estate
    - income tax elections
    - encroachment
    - RRSP/RRIF beneficiary confirmation
    - trustee compensation

Special Estate Planning Issues

- Family Law
- Non-traditional Families
  - Common Law
  - Same Sex
  - Single parents
  - Second families
- U.S. Estate Tax
- Charitable Donations

The following significant matters should be taken into consideration if applicable to your personal situation.

Family Law
According to matrimonial property legislation in most provinces, applications for the division of community property are allowed upon the death of a spouse. This means that a person cannot effectively write a spouse out of their will in these provinces. Please see inserted tables for your province.

Non-traditional Families

Common-law:
Recognized by the Income Tax Act, and therefore eligible for spousal rollover provisions for capital assets and spousal beneficiary designation on registered assets. Not recognized usually by property or succession laws. Therefore, no automatic right to the deceased's estate.

Same-sex:
Not recognized by the Income Tax Act nor Succession laws. Therefore, concern regarding income tax implications and property rights.

Single parent:
Special care needs to be taken in the appointment of guardians for minor children in instances of second or multi-families. Attention should be paid to the possible property rights of prior partners.

U.S. Estate Tax
Individuals with property in the U.S. face unique estate planning challenges. Unlike Canada, the U.S. does impose an estate tax on death. The tax ranges from 18% to 55% of taxable estate assets. The tax is imposed on the fair market value of U.S. situs items. The Canada-U.S. Tax Treaty currently ensures that Canadians will not pay any estate tax if their worldwide estate is valued at less than $600,000 U.S. ***Cross-border estate planning can be quite complex, and it is highly recommended that individuals in this situation consult a tax advisor specializing in crossborder taxation***.

Charitable Donations
As many individuals bequest gifts to charities in their will, an individual is allowed to claim 100% of their income in charitable donations, in both the year of death and the preceding year. Tax credits are also generally available in your lifetime, for the premiums paid for a life insurance policy naming a registered charity as its beneficiary.

Table A – Alberta - Overview of Matrimonial Property Legislation

Governing Legislation	Matrimonial Property Act, R.S.A. 1980 as amended
Triggering Events	• Divorce • Annulment • Judicial separation • Living separate and apart for at least one year, or less than a year if there is no hope of reconciliation • Living separate and apart and one spouse is gifting away or otherwise dissipating property to the detriment of the other spouse • Death (only if an application for a matrimonial property order could have been commenced immediately before death)
Who can Apply	• Spouse (including former spouse) • Surviving spouse • Legal representative of deceased spouse
Time Limitations on Application	• In the case of divorce, annulment or judicial separation, within 2 years of the corresponding judgement • In the case of living separate and apart, no later than 2 years after separation, or 1 year after inappropriate transfer of property
Ability to Opt Out?	Yes
Property Subject to Division	All property owned by both spouse and by each of them, with the exception of exempt property
Property Exempt from Division	If the property was acquired by a spouse before marriage, or by way of gift from a third party, inheritance, court settlement, or insurance, then the market value of that property at the time of marriage, or on the date of acquisition (whichever is later), is exempt from division.
Method of Division Variations/ Other Considerations	With the exemptions as noted above, property acquired by either spouse during the marriage is subject to equal distribution, unless it appears to the Factors that might be considered when making a distribution that is unequal include, among others: • the contribution of both spouses to the marriage and to the family welfare • the contribution by a spouse, directly or indirectly, to the acquisition, conservation, improvement, operation or management of a business, farm, enterprise, undertaking or property • the income, earning capacity, liabilities, obligations, property and other financial resources that either spouse had at the time of marriage and at the time of trial • the duration of marriage • a previous order or agreement • tax liabilities that might arise upon the transfer of property • whether either spouse has previously made a substantial gift or transfer of property at less than fair market value to a third party.

Table B - Ontario – Overview of Matrimonial Property Legislation

Governing Legislation	Family Law Act, R.S.A. 1980 as amended
Triggering Events	• Divorce • Annulment • Judicial separation • Separation with no reasonable prospect of reconciliation • Death • Improvident depletion of spouse's net family property
Who can Apply	Either spouse Personal representative of second deceased spouse
Time Limitations on Application	An application for equalization shall not be brought after the earliest of: • two years after the date of divorce or annulment • six years after the date of separation with no reasonable prospect of reconciliation • six months after the first spouse's death
Ability to Opt Out?	Yes
Property Subject to Division	The difference between the spouses' net family properties. Net family property means the value of all the property, except the property exempted below, that a spouse owns on the valuation date, after deducting: • the spouse's debts and other liabilities • the value of property, other than the matrimonial home, that the spouse owned on the date of the marriage, after deducting the spouse's debts and other liabilities, calculated as of the date of marriage. The valuation date is the earliest of the date of separation, divorce, annulment, death, or the date on which an application is commenced based on improvident depletion. Property means any interest, present or future, vested or contingent, in real or personal property and includes: • property over which a spouse has, alone or in conjunction with another person, a power to revoke the disposition or a power to consume or dispose of the property and • in the case of a spouse' s rights under a pension plan that have vested, the spouse's interest in the plan including contributions made by other persons
Property Exempt from Division	The value of the following property that a spouse owns on the valuation date does not form part of a spouse's net family property: • Property, other than a matrimonial home, that was acquired by gift or inheritance from a third person after the date of the marriage; or income from this property only if the donor or the testator has expressly stated that such income is to be excluded from the spouse's net family property • Damages or a right to damages for personal injuries, nervous shock, mental distress or loss of guidance, care and companionship, or the part of a settlement that represents those damages • Proceeds or a right to the proceeds of a policy of life insurance that are payable upon the death of the life insured • Property, other than a matrimonial home, into which the exempt property as listed above can be traced • Property that the spouses have agreed by domestic contract is not to be included in a spouse's net family property
Method of Division Variations/ Other Considerations	The net family property of both spouses is calculated. The spouse whose net family property is the lesser of the two net family properties is entitled to one-half the difference between them. The court may award a spouse an amount that is more or less than half the difference between the net family properties if the court is of the opinion that equalizing the net family properties would be unconscionable, having regard to: • a spouse's failure to disclose to the other spouse debts or other liabilities existing at the date of marriage • the fact that debts or other liabilities claimed in reduction of a spouse's net family property were incurred recklessly or in bad faith • the part of a spouse's net family property that consists of gifts made by the other spouse • a spouse's intentional or reckless depletion of his net family property • the fact that the amount that a spouse would otherwise receive upon equalization is disproportionately large in relation to a period of cohabitation that is less than five years • the fact that one spouse has incurred a disproportionately larger amount of debts or other liabilities than the other spouse for the support of the family • any other circumstances relating to the acquisition, disposition, preservation, maintenance or improvement of property

Other Estate Planning Matters

- Trusts
- Power of Attorney
  - Property
  - Personal Care

Trust

A trust is an arrangement whereby the settlor transfers ownership and control of property to the trustee, to be held in trust and administered for the benefit of the beneficiary/ies.

Intervivos trusts (those created during the settlor's lifetime) may be used to invoke an estate freeze as previously discussed. Be aware that the costs in setting up and maintaining a trust are high, and the taxation of an intervivos trust falls into the highest marginal rates regardless of its amount of the earnings.

Testamentary trusts are those created in the settler's death through a will. The taxation of testamentary trusts currently follows personal marginal tax rates. Testamentary trusts have many uses to meet estate planning objectives.

Spousal trusts can be set up to provide an income stream to the spouse, but ultimately having the capital passed on to the children.

Family trusts are used naming the children as beneficiaries, and the appointed guardian as trustee with certain conditions stipulated as to the use of the funds. It is recommended that individuals seek the counsel of financial advisors with a tax and estate planning specialty, as well as a lawyer, when contemplating the use of a trust.

Power of Attorney

A will is a tool with which we can manage our affairs in the event of death. A Power of Attorney is a tool with which we can manage our affairs, through others, when we are alive. A Power of Attorney is a written legal document in which the grantor appoints an agent to manage his/her affairs under specific circumstances. A Power of Attorney for Property deals with financial affairs. A Power of Attorney for Personal Care deals with personal and health care. If both are not the same person there can be problems.

Location of your personal and financial documents

Please record your important documents and where they are located. This information is important for your family's reference purposes. Tell your executor where this information is kept.

Legal Advisor ______________________________

Address ______________________________

Where is your safety deposit box located? ______________________________

Who has access to your safety deposit box? ______________________________

In whose name is the safety deposit box registered? ______________________________

Who has your power of attorney? ______________________________

Who has your enduring power of attorney? ______________________________

Who has your living will? ______________________________

Other pertinent information:

Personal Documents	Location
Birth Certificate	
Passport	
Marriage Certificate/Contract	
Separation Agreement	
Divorce Settlement	
Insurance Policies	
Appraisals of Personal Property	
Jewellery, Art, etc.	
House, Cottage Mortgage Papers	
Income Tax Returns	
Wills	
Powers of Attorney	
Personal Loans	
Trust Agreements	
Investments	
Canada Savings Bonds	
Securities	
Deposit Certificates	
Tax Shelter Documents	
Investment Loan Documentation	
RRSP Documentation	
Annuity Contracts	
Bank Books/Statements	
Business	
Business Insurance Policies	
Partnership Agreements	
Business Plan	
Lease Agreements	
Buy/Sell Agreements	
Other (describe)	

Action Plan

-Should my spouse and I discuss what level of insurance coverage we want if one of us dies?
-Should we speak to an insurance advisor?
-Should we draft/review our wills?
-Should we establish powers of attorney?
-Do our children/executor know where our documents are?
-What about our parents? Is their situation in order?

ACTION	DETAILS	TARGET DATE

Strategic Wealth Management

Preparing for Retirement A - Getting Started

"If you don't know where you're going, any road will take you there."-George Harrison. Are you on path to achieve your goals? In this workshop we focus on putting a process in place to achieve your goals. We focus on cash management strategies and the wealth management process. Secure the foundation of your financial plan.

Personal Investing – A: Core investing components applied

"Fads are the kiss of death. When the fad goes away, you go with it."-Conway Twitty. Understanding core concepts will help you identify and protect yourself against investment fads and build a solid investment strategy. In this workshop we talk about investment components, types of risk and how to avoid them, and the factors that contribute to your successful investment strategy.

Personal Taxation – A: Introductory concepts in tax minimization

"Income tax has made more liars out of the American people than golf has." –Will Rogers. Give yourself credit! Credits, that is… and deductions. This workshop looks at how our progressive tax system works and explores some of the core tax reduction strategies we should consider for LEGALLY minimizing our taxes.

Life Insurance & Estate Planning: Understanding the importance of security & structure

"Certainty? In this world nothing is certain but death and taxes." –Benjamin Franklin. Dying. The material impact of death is not something we really want to think about, much less talk about. But, it's something we need to know about. This workshop will look at the various components of a well-structured estate plan, including wills and will preparation, insurance (needs, amounts, types), Powers of Attorney and a brief introduction to trusts.

Personal Investing – B: Investment planning concepts & strategies

"More important than the will to win is the will to prepare." -Charlie Munger. Take the next step in your investment education by participating in this workshop. The session will focus on strategic investment issues such as risk reduction through diversification, asset allocation and the tax implications of various investment choices. Look at the various investment styles and objectives of the funds available to you.
Questions and discussions are encouraged and are an integral part of this workshop.

Personal Taxation – B: Comprehensive strategies: A longer-term perspective

"Never make anything simple and efficient when a way can be found to make it complex and wonderful." –Unknown. Now that you understand basic tax planning, you will appreciate the more advanced concepts and strategies discussed in this workshop. In this session, we will look at tax planning as a family unit, tax shelters, income splitting/ attribution, and developing an effective tax minimization plan. We aim to make simple what the government has made complex!

Preparing for Retirement: Focus on financial planning

"Retirement kills more people than hard work ever did." –Malcolm S. Forbes. To enjoy your golden years, you should take as many stressors as possible off the table. Financial worry is a big category. You have retirement dreams ahead. It is time now to focus your financial planning activity. This workshop will take a detailed walk through the 6 steps of building a solid retirement financial plan. The session will cover financial objectives and needs in retirement, income sources, identification of problem areas and corrective measures, tax & investment issues. This workshop ties together all the concepts we have learned so far. Finally, you will create an action plan.

"Plans are only good intentions, unless they degenerate into hard work." –Peter Drucker
Take action on what you've learned from these workshops

Resources

First Sovereign Investment Management Inc.
Phone: 416-489-4843
Toll-free: 877-389-4843
info2@firstsovereign.com
www.firstsovereign.com

Web Sites - Specific
Focused subjects/issues

http://www.investmentcounsel.org
Information on different types of investment professionals and how to choose one for yourself

www.cfp-ca.org
Information on financial planning professionals and services

www.ccra-adrc.gc.ca
Canada Customs and Revenue Agency - Information and forms

www.sec.gov
Securities and Exchange Commission (U.S.) - Mutual Funds cost calculator

www.retireweb.com
Overview of financial and other issues dealing with retirement

Web Sites - General
News, Education, Calculators, Etc.
www.finpipe.com
www.imoney.com
www.quicken.ca/eng/index.html

Partial Glossary

Amortization
The spreading of an expense (i.e. interest, capital repayment, depreciation) over a period of time.

Annuity
An investment contract providing the investor with a fixed payment at regular periods, usually monthly. Each payment comprises return of a portion of capital invested and interest earned.

Assets
Anything of value that is owned by an individual, corporation, or other business. Includes prepared expenses and intangibles such as patents and good will, as well as land, buildings, raw materials, and finished goods.

Beneficiary
One who is to receive the benefits of any type of contract.

Bequest
A disposition of personal property by Will.

Blue Chip Stock
Shares of a large established company with a history of steady dividend payouts and growth in profits.

Bond
A debt obligation of a corporation, negotiable in terms of interest and principal and secured by a pledge of assets. For “bonds” of public bodies, see Debentures.

Capital
Plant, machinery, raw materials and anything that is used to provide goods and services. Often used to refer to money earmarked for investment.

Capital Cost Allowance
A deduction against income in respect of depreciation against the undepreciated capital cost of an asset. Its purpose is to give tax relief for the decline in value of the asset because of use, wear and tear, and aging.

Capital Gains
The gains realized upon disposition of certain types of assets. Fifty percent of the amount is taxable as income when received.

Cash Surrender Value
The amount an insurance company guarantees to pay if you terminate certain types of life insurance policies.

Commodity
A tangible thing that can be bought or sold, such as grain or precious metals.

Collateral
Assets pledged as security for a loan. If the borrower defaults on the payment, the lender may dispose of the property pledged as security to raise the money to repay the loan.

Common Stock
Ownership in a corporation with no preference to income or assets.

Convertible Bond
Bonds that can be converted into a specified amount of common stock within a specified time period.

Coupon Rate
The stated rate of return for a bond (constant over the life of the bond).

Consumer Price Index
An index compiled by federal authorities showing cost of living changes during a specified period of time.

Debenture
“Bonds” of public bodies are really debentures because they are not specifically secured.

Debt Ratio
Amount borrowed (and due beyond 12 months) as a percentage of total capital (debt and equity together).

Deferred Annuity
An annuity under which income payment to the annuitant commences some time after the date it is purchased.

Deferred Compensation
Income paid at some future time, usually upon retirement or termination from employment.

Demand Loan
A loan on which the lender may demand repayment at any time.

Depreciation
An allocation of the cost of replacing fixed assets over a period of time (see Capital Cost Allowance).

Dividend Earnings or profits paid by a corporation to its shareholders. In an insurance policy, a dividend is a refund of an overpayment of premiums.

Earnings per share
Corporate earnings, less preferred dividends, divided by the number of common shares outstanding.

Equity
(in property) Rights of ownership.

Exemption
Specific deduction allowed taxpayers as a result of their circumstances (e.g. for a child.).

Fixed Return Investment
Investment offering constant returns over a period of time.

Fixed Income Fund
A fund whose assets are invested in preferred shares, bonds and mortgages.

Fund Manager
A person who manages the assets of an investment fund.

Growth Stock
Stock whose price is expected to increase at an above average rate (often carrying an above-average risk as well).

Guaranteed Investment Certificate (GIC)
Certificates offered by trust companies, banks, and credit unions that guarantee a specified rate of interest for a certain period of time, generally one to five years.

Guardian
A person designated by the court to be responsible for the care of someone unable to look after himself. Normally appointed for children.

Income splitting
The process of spreading income among family members. Most often affects tax on investment income. It involves shifting income from a high tax rate family member to a low or nil rate family member. In some cases, earned income can be split by employment of family members in a family business.

Indexed Plan
A benefit plan where benefits are related to a recognized index, such as the Consumer Price Index, as determined by Statistics Canada.

Inter Vivos
From the Latin for “between living persons”, usually refers to trust established during the life time of the person setting up the trust (the Settlor), as opposed to a testamentary trust in a Will that takes effect only at death.

Intestacy Laws
The provisions governing distribution of the assets of a person who dies without a Will.

Letters of Administration
A certificate of authority to administer an intestate estate issued to an administrator by the proper court.

Letters Probate
A certificate of authority to administer a particular estate, issued to an executor by a proper court.

Liquidator
The person named in a Will to manage the estate of the deceased according to the terms of the Will.

Margin
Difference between the value of stocks purchased and the amount borrowed by the investor from the brokerage firm. (i.e. the investor's equity in the stock transaction).

Merger
Combining of two or more firms into a single firm with all assets and liabilities of the former firms retained.

Mortgage
A claim on property to secure a debt.

Mutual Funds
A portfolio of investment securities held in the name of the fund and owned by people who have bought units in the fund itself; managed by full-time investment specialists.

Net Worth
Total assets minus total liabilities.

Par Value
Face value of a bond or the par value of a stock used for dividend calculation.

Portfolio
The entire asset holdings of an individual or group of individuals.

Preferred Shares
Ownership shares which get priority to income or asset distribution but usually forego voting rights.

Present Value
The value today of something (usually money) to be delivered in the future. This recognizes that interest and certain contingencies will make a dollar several years hence worth less than a dollar today.

Price/Earnings Ratio
A measure of stock price (i.e. how "reasonable" it is) that divides earnings per share into the price of the stock.

Promissory Note
A written promise to pay money or money's worth; usually for money, goods and/or services received.

Recaptured Depreciation
The portion of capital cost allowance (depreciation) recovered on sale of depreciable capital when the sale price is greater than the undepreciated capital cost (i.e. the original cost minus the amount of depreciation deducted). Recaptured depreciation is fully taxable as income.

Receivership
Where control of a corporation is taken over by a trustee (the receiver) to conserve assets until they can be liquidated, or until an arrangement can be made with creditors to continue the business.

Retiring Allowance A taxable payment (subject to some tax deferral related to years of service), usually in the form of a lump sum, made to an individual upon retirement or upon dismissal from a job; a payment in recognition of long service or for loss of employment or loss of office.

Rider
A clause or condition in a contract or policy that may restrict, add to, or more specifically define the terms or benefits.

Rollover
The transfer of property from one person or situation to another without triggering tax at the time of transfer: e.g. from an RPP to an RRSP or from one spouse to another.

Stock Split
The division of a company's existing shares into a large number of shares, to reduce the price per share.

Syndicate
An association of persons or corporations formed to carry out a common business venture.

Taxable Benefit
An employee benefit or perquisite paid for by an employer on which the employee is taxed; e.g. a company car.

Tax Deductible
Refers to amounts that may be subtracted from one's income for tax purposes.

Tax Deferred
Income that is currently not subject to tax but may be taxed in the future.

Tax-Deferred Dividends
Dividends paid from a Canadian corporation on which tax does not have to be paid until some later date.

Tax Sheltered
Income that is currently not subject to tax but may be taxed in the future.

Term Insurance
Life insurance that pays if death occurs within a stated period of time. Usually there is no cash value under a term insurance policy.

Trust
A bequest or device that puts legal title and control of property in the hands of one party (trustee) for the benefit of another party (beneficiary).

Trust Officer
A person who works in the Estate Administration Department of a trust company.

Trustee
A person who administers assets held in trust for another person.

Underwriter
A person, banker, or group that guarantees to furnish a definite sum of money by a definite date in return for an issue of bonds or stocks. In insurance, the one assuming a risk in return for the payment of a premium (i.e. the company) or the person who assesses the risk and establishes premium rates in and extent of coverage.

Valuation
Act of establishing the value of a property, whether tangible or intangible.

Variable Return Instrument
Investment offering no set rate of return (e.g. common stock).

Venture Capital
Money invested in a higher risk project in which an ownership position is taken.

Vesting
The process by which an employee obtains full credit for the employer contributions into a benefit plan (normally a pension or investment plan).

Warrants
The right to purchase stock in a company at a specified price during a specific period of time. Usually offered when market prices of stock are expected to increase.

Will
A legally enforceable declaration of a person's wishes relating to matters to be dealt with after his/her death and inoperative until death has occurred. A will is revocable or can be amended by a Codicil up to the time of death.

Will Executing
The process of making your Will valid. Usually involves formalities in regard to signing by the testator and witnessing of that signature.

Whole Life
Also called straight life, or ordinary life insurance that pays whenever death occurs. Whole life insurance has cash values.

Working Capital
Current assets minus current liabilities. A measure of how well an individual or a company can meet current obligations as they come due.

Yield
Investment return measured as a percentage of current market value of the investment. Most often used in reference to bonds or debentures.