Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

Practical Wealth Creation Ideas

...for Simplified Financial Success™

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Better late THAN NEVER

A testamentary trust is established in a will. It directs a named trustee to manage and distribute assets and income to named beneficiaries of the trust. You can designate the number of years it will exist, within permissible legal limits.

The trust becomes effective at the time the will is probated. The assets undergo the probate process and are, therefore, exposed to creditors' claims. If your intent is to avoid probate, a living trust would be a more suitable alternative.

Individuals commonly choose between two types of trusts: family and spousal.

Family trusts are established to:
• Protect the interests of underage children and any family member with special needs
• Safeguard adult children's assets from creditors or divorce settlements
• Manage funds for spendthrift adult children
• Minimize disclosure of small business assets that could be susceptible to lawsuits or creditors

Spousal trusts are established to provide your spouse with funds. These trusts also:
• Protect your children's assets should your spouse remarry
• Assure the inheritance of children from a previous marriage
• Reduce income tax through income splitting

How to assess THE ASSETS & LIABILITIES OF YOUR ESTATE

You work hard to earn a living, save for retirement, and own property. It is important to know what your estate liabilities are in relation to capital gains, mortgage debt, car loans, unpaid taxes, and business-related liabilities. Consider reducing these liabilities.

Reduce Probate Fees *Probate fees will be based on the value of assets administered through your will.*
• Establish a spousal trust during your lifetime to hold assets or property for the sole use of your spouse.
• Own assets jointly with your spouse.
• Distribute assets or cash while alive.
• Name a beneficiary (not the estate) on life insurance policies.
• Include an alternate beneficiary on your life insurance policies in case your initial beneficiary predeceases you, or dies simultaneously (that way, probate fees will be avoided).

Reduce The Impact Of Income Taxes
• Use the spousal (and disabled child) rollover provisions of RRSPs or RRIFs.
• Leave assets that have accrued capital gains to your spouse in order to defer tax.
• Leave assets without capital gains to other (non-spouse) family members.
• While you are alive, gradually sell assets having capital gains, to avoid dealing with the gains all at once in your estate.
• Purchase life insurance to cover capital gains taxation in the estate. Taxes may be payable on gains in relation to:
  • income-producing real estate, a second residence, or cottage.
  • any other assets left to surviving family members, such as shares of a business.
• Consider charitable donations to lessen taxes in the estate.