# Wealth Management Planning

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## How a Well-Structured Estate Plan Can Lower Taxes, Cut Fees, and Create Harmony

Regardless of age or amount of wealth, the importance of establishing and updating a will cannot be overstated. Without a will, an estate is considered intestate, and the government will appoint a trustee to oversee and administer the estate affairs. Intestate assets are distributed according to legislation and likely not in a manner that you or your loved ones would have wanted. However, an estate plan is more than just a will. In simple terms, an estate plan sets out the conditions for your wealth transfer. It states **WHO** you want to receive **WHAT** assets, and **WHEN** you want them to be given.

**WHO** – spouse, children, grandchildren, charity, other
**WHAT** – property, bank accounts, investments, art
**WHEN** – during a lifetime, at death, or after death

### Four important reasons to establish an Estate Plan:

- **Make your wishes clear.**
- **Reduce probate fees.**
- **Minimize tax.**
- **Avoid confusion among beneficiaries.**

### *Avoid Squabbles (or worse) - Make your Wishes Clear*

The will is the cornerstone of an estate plan to document your intentions and wishes, but there are also other important documents that may be applicable, such as a power of attorney, beneficiary or successor holder designations, life insurance designations, and trust agreements. A statement of wishes may also be included. This can explain the "why" of your will's intentions if those conversations with beneficiaries have not already happened or been planned before death.

### *Reduce Probate Fees*

Probate is the legal process that confirms a will is valid and its executor. The fee for probate ranges by province. In Ontario, for example, the probate fee is 1.5% of assets over $50,000. An estate that has assets valued at $10 million will owe approximately $150,000 in probate fees. Naming beneficiaries or successor holders on registered accounts allow assets in those accounts to transfer outside of the estate and avoid probate. Life insurance with a beneficiary other than the estate will bypass probate and reduce fees. Accounts and property with joint owners will transfer directly and potentially avoid probate if structured properly.

### *Minimize Tax*

Often a person's largest tax bill occurs on your estate. Starting early with proper planning can significantly reduce your final taxes and leave more to your heirs. In most cases where there is a spouse, naming them beneficiaries and holding assets jointly enables non-taxable rollovers. Leaving assets to someone other than a spouse will result in a taxable event. However, assets that are not taxable include a principal residence, TFSA, life insurance, and trust assets. A potential strategy may be to gift non-registered assets during your lifetime and maximization TFSAs to lower estate tax.

### *Avoid Confusion Among Beneficiaries*

Unexpected surprises can lead to estate disputes among beneficiaries. Having a plan and communicating your wishes and vision with those involved can help to avoid tension and costly disputes.

We believe the points above are key elements of an estate plan that can produce more favorable outcomes for you and your heirs. Thornmark is available to help get you started in establishing an estate plan that ensures your legal goals are achieved in harmony.

**We look forward to helping you achieve more with your planning and investments. Please reach out to Thornmark at:**

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