



Having a well-designed investment plan is important to helping you reach your long-term financial goals. However, an investment plan on its own is often not enough. You also need a strategy to help protect assets and preserve them so that they can be passed on to your beneficiaries - in other words, an estate plan. This issue of exchange highlights some of the key components individuals should consider as part of the estate planning process. Drawing on experts from across the Scotiabank Group, your ScotiaMcLeod advisor can coordinate strategies with your accountant or lawyer to ensure you have the estate plan you need, and adapt it over time as your circumstances change.

## Key Considerations for Your Estate Plan

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**W**hether your estate is of large or modest value, an estate plan should be part of your total financial strategy.

In its essence, estate planning addresses the establishment or the continuation of a tradition, one that involves the accumulation, conservation and distribution of assets in a tax-efficient manner.

The following are some of the key considerations that should be addressed as part of the estate planning process.

### ENSURE YOUR ESTATE PLAN IS INTEGRATED WITH YOUR OVERALL FINANCIAL PLAN

A formal financial plan will ensure that your goals are planned for and progress is monitored on a regular basis.

### HAVE A PROPERLY DRAFTED WILL

A Will is the cornerstone of any estate plan, providing for the orderly distribution of assets upon death. Without a Will, your estate is distributed based on relevant provincial regulation. In making a Will, an executor is appointed to administer your affairs and carry out your instructions. Your Will should be reviewed regularly and updated when personal situations change.

### PREPARE POWERS OF ATTORNEY

There are two types of power of attorney to consider. The first is a Power of Attorney for Property. This is a legal document appointing persons to act on your behalf to deal with or dispose of property. The second is a Power of Attorney for Personal Care. This too is a legal document and appoints a person to act on your behalf in matters regarding health care.

If you become incapacitated and don't have a power of attorney, the provincial government assumes the management of your affairs. While a spouse or other interested party could apply to the court to be appointed, it is best to select a decision maker in advance.

### NAME AN EXECUTOR

An executor is an individual or trust company, like Scotiatrust, named in a Will to administer your affairs, carry out your instructions and settle the estate. Executors are legally accountable to the beneficiaries and creditors of the estate.

You may consider appointing a corporate executor if your estate involves:

- Ongoing trusts to be managed.
- A private company/family business.
- Significant real estate holdings or assets out

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- of province or out of country.
- Any charitable foundations or trusts to be established and/or administered.
- A stock portfolio to liquidate.
- Beneficiaries resident outside of Canada.
- Beneficiaries with special needs.
- Minor children as beneficiaries.
- Complex family circumstances.

### CONSIDER INSURANCE STRATEGIES

Insurance strategies can also help you achieve the objectives of your estate plan. These strategies include:

#### 1. Protecting your estate from taxes.

Monies can be redirected to an insurance contract to help ensure your beneficiaries enjoy the full value of your estate. The insurance replaces the value of your estate lost in taxes, reducing the overall tax burden on your estate and on your heirs.

#### 2. Enhancing estate value.

Reallocating a portion of your assets into a tax-exempt life insurance strategy can enhance the value of your estate. Depositing lump sums once, or over a number of years, means premiums will be withdrawn to cover insurance and policy costs. As your policy grows, your ultimate estate benefit builds too and proceeds are distributed tax-free to your beneficiaries at death.

For business owners, life insurance is also an important tool and can be used as part of a succession plan, providing funds to address tax liabilities, creating

tax efficiencies and possibly reducing taxes upon the ultimate transfer of the company.

### CONSIDER IF TRUSTS ARE APPROPRIATE

A trust is created by an individual through a Will or Deed. A trustee, whether an individual or trust company, such as Scotiabank Trust, is appointed and administers the trust. The purpose of a trust is to allow you to transfer the benefit of assets to family members, or other valued persons, while maintaining a degree of control over the transferred asset.

### DETERMINE IF CHARITABLE GIFT PLANNING IS A CONSIDERATION

For individuals committed to making a meaningful legacy, there are a number of charitable giving options that can be considered including establishing a private foundation, charitable remainder trusts, gifts of publicly-listed securities and charitable bequests.

Developing an estate plan can be complicated and requires interaction of various disciplines and laws. Therefore, it is important to have a knowledgeable team working for you. Your ScotiaMcLeod advisor has the resources and access to a team of experts from across the Scotiabank Group to help guide you through the planning process and give you the comfort knowing that you are prepared for the future.

## Trusts as Part of Your Estate Plan

Trusts are a valuable estate planning consideration and can be used to achieve a variety of objectives. In addition to helping maintain a degree of control over transferred assets, some of the other major advantages include:

- Administration of property for beneficiaries who are incapable of proper management of property for reasons such as minor age, infirmity or lack of business experience.
- Deferral of tax on accrued capital gains
- Reduction of probate fees on death as trust assets are not part of a deceased's estate
- Income and capital gains splitting among family members subject to certain restrictions
- Passage of future growth to the next generation on a tax-efficient basis when combined with an estate freeze.

### Reflections

*Obstacles are those frightful things you see when you take your eyes off your goal.*

*Henry Ford*



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