

Estate Planning

WILLIAM'S STORY



We're sharing William's story because like many Canadians, he thought his current will would fulfill his wishes. After some digging into his estate documents and talking to him about what he wanted, we discovered this was not the case.

When we first met William, he had an accountant, multiple investment brokers, and a lawyer who was not involved with his wealth planning. Under the recommendation of his accountant, William looked into the option of working with one advisor to ensure all aspects of his plan were in place. That's where we fit in.

BREAKING DOWN WILLIAM'S ESTATE

At first glance, we noticed that William was missing some important documents. He had a will, but he did not have a health care directive, Power of Attorney (POA), nor did he appoint beneficiaries where he was able.

William had a will, and his daughter was left in charge should anything happen to him. The thought of taking on everything her dad had set up in his lifetime was a huge source of stress for his daughter - she had no idea where to start.

Next we wanted to review if there were any issues that may present themselves if William's assets were divvied out as outlined in his will. His will stated that he wanted to leave one-third of his assets to his second wife, and two-thirds to his seven children (the majority of his assets were held in a holding company). There was also a large piece of land that one of his sons would have the first opportunity to purchase after his father passed.

There were a few concerns amongst the family:

- When William died, his wife would be part of the company
- If William's wife died before him the joint account they shared, in addition to other assets, would roll back into the family and leave nothing for her children from a previous marriage.

** While we have changed William's name to protect his privacy, the details in this story are true.*

WHAT WE DID DIFFERENTLY

Simplified the Process

By putting the bulk of his assets in an alter ego trust managed by his daughter, he was able to reduce his personal taxes and avoid the ongoing OAS clawback. This money would no longer flow through the estate and the family would be able to avoid probate on those assets - the alter ego trust would push all the money to the beneficiaries.

His son was given the opportunity to purchase the land before his father passed away and the money would be put in William's open accounts and then divided as per the will.

We amended his will taking his wife out of the estate using a beneficiary designation on his RIF, TFSA, and opening a joint account. By doing this, his wife has a sense of relief knowing that she will not have to deal with any disagreements the children may have with the estate. We also purchased a life insurance policy in her name to pay to her children, ensuring they would receive something should their mother die first.

Limited Tax Exposure

William pays himself a management salary from his holding company, where he had \$750,000 invested. Being in a high personal tax bracket already from pensions and dividend income, each time he would take money out of the company he was pushing himself into OAS clawback. Using a Corporate Class investment structure he was able to reduce his annual corporate tax bill on his investment income and rebalance his portfolio using a more tax efficient strategy.

He held 500 shares at Manulife Stock that he had in his will to gift to the QEII Health Sciences Centre Foundation. There was no advantage to hold onto them until death, so we suggested he give the shares to the QEII Foundation now, in turn, he received a tax break - getting the donation receipt for the gift and avoiding all of the capital gains he had on the shares because he donated the stock, not cash.

Better Communication

We organized William's team, accountant, lawyer and one advisor, to meet with his daughter and one advisor, to meet with his daughter to outline a clear, documented plan. She was relieved once she had a better understanding of the new simplified plan and her role. She was comfortable with the strategy they had in place, and when the time came to move forward, she knew she could just call her father's advisor to find out what her next steps would be.

With the help of the wealth management team, William, now a client for over 12 years, was able to ensure his family was taken care of which not only left him at ease, but also alleviated a great amount stress from his wife and daughter.

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