

Passing the Torch:

Helpful Tips for Surviving Family Members

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Presenter's Disclosures

- The goal of this presentation is to improve financial literacy regarding wills and estates, and the transfer of assets upon the passing of a spouse.
- Nothing in this presentation should be construed as legal, accounting, or taxation advice.
- We recommend you view this presentation as general information and you obtain legal, accounting, and taxation advice for your specific circumstances from a qualified lawyer or accountant.
- I hold a B.A. (Hons), and M.A. in Economics as well as the Chartered Investment Manager, CIM®, designation. I am a Senior Wealth Advisor.
- Nothing in this presentation should be construed as investment advice, or the solicitation to buy or sell securities. For investment advice specific to your circumstances, I recommend you speak with a professional Wealth Advisor.



Framing our Discussion with a Quote:

“How lucky I am to have something that makes saying goodbye so hard”

– Winnie-the-Pooh

- Candid discussions about wills and estates are hard and can be awkward, emotional, and painful. No one wants to contemplate their death and the division of their assets.
- That you are here today suggests there you and your spouse have lived lives worth celebrating.
- To me, this discussion is about preparing you and your family for a “known unknown”. We consider this planning a last gift to the family you leave behind, allowing them the time and emotional space to celebrate the lives well-lived, and grieve your loss.
- Having an estate plan in place often removes a huge emotional weight, allowing you to enjoy the time you have.

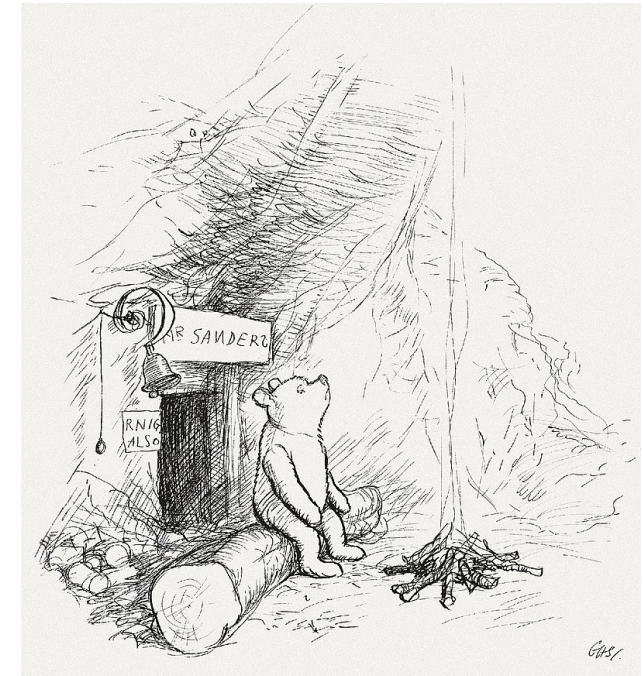


Illustration by E.H. Shepard, 1926

Outline

- The Problem: Why I am here
- The Story of Phil and Helen
- Estate Settlement & Asset Transfer
- Where is Helen Now?
- Q & A



The Problem: Why I am here.

Our office sees:

- Too many examples of wills and estates gone bad: family stress, acrimony, and in some cases breakdown, costly financial mistakes, unnecessary legal and accounting costs, lives put on hold, and/or wishes not followed.
- Too many examples of surviving spouses left in the dark, not knowing what to do, not having the trusted advisors in place to help them, struggling to make decisions while dealing with “brain fog”, and delaying the settlement of the estate.
- **And most importantly, too many surviving spouses and families being deprived of the time and space required to properly grieve the loss of their loved one, delaying getting their own lives back on track.**
- The departed spouse would certainly not wish these outcomes on their survivors.

Phil and Helen

- A Personal Story, with names and details changed to maintain privacy.
- Phil and Helen were high school sweethearts, marrying shortly after graduating. Phil had an infectious sense of humour and Helen would encourage it. After many happy years together, they knew each other incredibly well and love each other dearly.
- Phil was an entrepreneur, co-founding and operating a successful trades business.
- Helen was an early-childhood educator until the first of three children arrived, working in the home thereafter.
- Phil took pride in being a capable provider for his family; he did a tremendous job earning income to support his family. He also looked after paying the bills and managing the bank accounts, the investments, the wills, the insurance, the cars, and the taxes. Helen appreciated him looking after these details and worked hard to support their family and his business. In their spare time they liked to golf, curl, and spend quality time with friends and family.
- In 2020, Phil and Helen were referred to me by their accountant. Phil had recently sold his interest in the business and was retiring at 71 after a successful career. The couple had accumulated enough funds to pay off their home, own a share in a family vacation property, and accumulate \$600,000 of liquid retirement assets split between a corporate account, a personal cash account, RRSPs, and TFSAs.
- Our initial goal was to plan their retirement. However, in late 2022, Phil was diagnosed with brain cancer - nobody was expecting this – and, after multiple surgeries, he was given good odds of recovery. Sadly, about a year later, Phil passed away. Helen was not even close to ready for this, and it took a great deal of time and effort on our part to help her, and her children settle the estate.

Phil and Helen – Lessons Learned

- Despite Phil having sought quality professional assistance from lawyers and accountants, Helen was paralyzed with uncertainty about how to settle Phil's estate. She was unsure how to access the bank accounts, budget expenses, and organize, file, and pay the personal and business taxes. She was receiving lots of mail from the Canada Revenue Agency and did not know what to do with it, or even how to get help. By starting early with a coordinated approach, this could have been avoided – Helen just wanted to properly grieve Phil's passing.
 - ✓ Even if one spouse does the work to manage the estate plan and family finances, it is critically important to share the pertinent details with the other spouse so they may act in your stead. Doing these activities together from time-to-time can be a good way to build familiarity for both partners. Files should be kept and share to summarize all the relevant financial details and logins.
 - ✓ Relationships with professionals need to be shared and maintained; Phil had great relationships with their accountant and lawyer, but Helen did not even know how to contact them, or the questions to be asking. The children, while willing, were unable to assist for these same reasons. This resulted in significant extra costs, stress, time wasted, and new accountants.
 - ✓ Phil and Helen waited too long to engage a Wealth Advisor; they received only mutual fund selection advice for years from a Mutual Fund Sales Representative at a bank branch. What they needed was a Wealth Advisor that would offer comprehensive advice to prepare them for this life event – I came a bit late in the story and we had a lot of catch-up to do in this regard.
 - ✓ Wealth advisors are the general practitioners of their client's financial lives, coordinating with a team of specialists as needed. They should be competent, comprehensive, trusted advisors, familiar with your family and their financial details, making them an ideal first call when a spouse passes away to guide you safely through a difficult time.

Estate Settlement and Asset Transfer

- Many of the tax implications of the Estate occur upon the passing of the surviving spouse; the passing of the first spouse often fails to trigger tax liabilities due to tax-deferred spousal rollover of assets.
- The assets will be deemed disposed of upon the passing of the surviving spouse, creating potential tax liabilities on taxable assets.

Phil and Helen, revisited: Assets Owned Jointly with Right of Survivorship

- Phil and Helen as joint owners allowed easy transfer of the following assets:
 - Sole ownership of the family home easily passed to Helen.
 - Joint bank accounts were transferred to accounts in Helen's name only.
 - Non-registered investment accounts were transferred to accounts in Helen's name only.
 - There were no tax implications from the transfer of these assets.
- ✓ These actions required Helen to produce original copies of the death certificate – we suggest you obtain 4-5 copies of the death certificate.

Estate Settlement and Asset Transfer cont'd...

Phil and Helen, revisited: Solely owned, Registered Investment Accounts; Accounts with named beneficiaries.

- Phil has a RRIF with Helen named as Successor Annuitant (this designation is only available to a spouse).
- Phil has a Tax-Free Savings Account (TFSA) with Helen named as Successor Holder (this designation is only available for a Spouse).
 - Ownership of Phil's RRIF was transferred to Helen, after the annual minimum was paid out. Helen transferred the assets to her RRIF, increasing her payment, and her taxable income .
 - ❑ If she did not have a RRIF, Phil's RRIF assets could have been transferred to her RRSP.
 - The assets were transferred without tax implications to Helen, or the estate; however, she is responsible for income tax on future RRIF withdrawals
 - ❑ Helen could have been designated as beneficiary of the RRIF. The tax treatment in this case would be different and a bit more complicated, however, Helen would likely be able to achieve the tax-free transfer of assets to her RRIF/RRSP
 - Phil's TFSA assets were transferred to Helen's TFSA.
 - As Helen was designated as the Successor Holder of the account, she received the TFSA with the funds still held within the account. This grew the size of her TFSA, increasing her tax-free assets.
 - ❑ As beneficiary, the asset would transfer to her tax-free, however, unless she had TFSA room, she would lose the tax-shelter of the TFSA.
 - ✓ These actions required Helen to produce original copies of the death certificate – we suggest you obtain 4-5 copies of the death certificate.

Estate Settlement and Asset Transfer cont'd...

Phil and Helen, revisited: Assets Owned Individually by Phil

- Phil was the sole owner of his corporation's shares, the corporate bank and investment accounts, a personal bank account, a car, and the family vacation home (owned joint with three others).
 - The requirements to transfer these assets vary depending on the nature of the asset, the value, and the institutions in questions.
 - In most cases, Helen was able to affect transfers of these assets with the following:
 - ☐ A certified true copy, or original copy of the death certificate
 - ☐ A certified true copy of a Letter of Direction signed by all estate trustees/executors.
 - ☐ A certified true copy of a probated Will
 - ☐ Banking information for the Estate bank account
 - ☐ In some cases, when asset values are small, a probated copy of the Will may not be required – this is at the discretion of the institution.
- What is Probate? How much does it cost?
 - Probate is a process undertaken by the courts that verifies a will is real and valid according to the laws of the jurisdiction granting probate. This confirms the executor's authority to act under it.
 - In BC, there is no probate fee on the first \$25,000 of gross estate value, 0.6% on the next \$25,000 of gross estate value, and 1.4% on amounts of \$50,000

Where is Helen Now?

- With the help of her team of professionals, Helen and her children settled Phil's estate, transferred his assets, and filed all the required tax returns and documentation.
- There is a plan in place to ensure this happens each year and she can effectively manage the corporation's assets.
- Completing these items removed the stress and anxiety of the situation, allowing Helen and her family the mental and emotional space to finally grieve Phil's loss and celebrate the accomplishments of his life.
- Helen's "brain fog" is lifting and she is resuming the activities she loves – golfing and curling with her friends and enjoy time at the family vacation property with children and grandchildren.
- Helen's team of professionals now have clear roles and responsibilities, able to offer trusted and effective guidance to her as she carries the family torch.
- Helen and her children have greatly improved their financial literacy through this journey; they are now well-prepared for Helen's eventual passing – and this gives them great comfort to enjoy their lives together, today.



Resources:

- Books
 - ✓ The Last Act: Closing the Book on Your Finances, by Kimberley Short and Larry Short
- Websites:
 - ✓ <https://financialcalculators.net/iaprivatewealth/probate-fees/>
 - ✓ Can always be found on the Lighthouse Wealth website under “Resources”
 - ✓ <https://www2.gov.bc.ca/gov/content/life-events/death/after-death/first-steps>

Disclaimer

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Appendix

CPP SURVIVOR'S PENSION BENEFIT PAYMENTS

If the surviving spouse or common law partner is:

The benefit is:

Age 65 or over

60% of the deceased contributor's retirement pension, if the survivor is not receiving other CPP benefits*

Between the ages of 45 and 64 (or is under age 45 and has at least one dependent child or is disabled)

Made up of a flat-rate benefit, plus 37.5% of the deceased contributor's pension, if the survivor is not receiving other CPP benefits*

Between the ages of 35 and 45 and has no dependent children and is not disabled

Made up of a flat-rate benefit, plus 37.5% of the deceased contributor's pension; reduced by 1/120th for each month the spouse or common law partner's age is less than 45 at the time of the contributor's death, and applied as a reduction for as long as the pension is paid

**The maximum CPP benefits that can be received by the survivor is the maximum CPP retirement benefit amount. For example, if the survivor also receives the maximum CPP retirement benefit, they will receive nil as a survivor benefit.*

Appendix - What Happens to OAS Upon passing?

- A quick review of OAS:
 - Amount of OAS is determined by how long the person has lived in Canada.
 - On top of OAS the Government has provided a Guaranteed Income Supplement (GIS)
 - The Guaranteed Income Supplement (GIS) provides a monthly non-taxable benefit to OAS pension recipients who have a low income and are living in Canada.
 - The amount of the GIS one receives depends on one's marital status and previous year's income. The GIS rate for a single or widowed person is higher than the GIS rate for a married person.
 - On top of the OAS and GIS, are the Allowance, and Allowance for Subscribers
 - The Allowance provides money for low-income seniors who meet the following qualifications:
 - They have a spouse or common-law partner (same sex or opposite sex) who receives an OAS pension and is eligible for the GIS.
 - They are between 60 and 64 years old.
 - They are Canadian citizens or legal residents at the time the Allowance is approved, or when they last lived here.
 - They have an annual combined income less than the maximum allowable annual threshold.
 - They lived in Canada since age 18 for at least 10 years.
 - The Allowance for the Survivor provides money for low-income seniors who have a deceased spouse or common-law partner and whose sole annual income is less than the maximum annual threshold. Other qualifying criteria is the same as for the Allowance.