



### **What's involved?**

One of the first duties of the Executor will be to establish the validity and legality of the Will.

### **Taxes**

Canada no longer has estate taxes or succession duties but it is necessary for a final income tax return to be filed on behalf of the deceased. The complexity of the taxes - and the amount to be paid - will depend on such factors as:

- The type of assets owned: for example, do capital gains or losses apply - these are calculated as of the day of death
- Whether these assets are owned individual, jointly, or in partnership
- The provisions made to distribute assets either under the Will or through beneficiary designations
- The person to whom each asset is left; a spouse, for instance, can receive a tax-free rollover of pension or registered investments but the tax treatment will be different if these assets pass to your estate or to a beneficiary who is not a spouse.

### **Government benefits**

To obtain information on the CPP or QPP and other federal and provincial benefits, your executor or heirs should contact the appropriate office listed in the government pages of the telephone directory.

### **Life insurance claims**

Life insurance benefits are claimed by the person named as beneficiary under your policy. However, when insurance funds are made payable to the estate, claims are administered as part of the overall estate. Although the insurance proceeds can be received as a single lump-sum payment, there are a number of other options available. For example, funds can be left on deposit. This allows time to make important financial decisions - meanwhile, the life insurance proceeds will be earning interest.

### **Benefits payable to a named beneficiary**

Life insurance is usually the fastest and easiest aspect of the settlement process. Payment can be made quickly once the life insurance company has the following information and documents

- Policy number and, for individual-owned contracts, a copy of the policy itself
- Full name and address of the deceased
- Date, place, cause and proof of death - requirements concerning proof of death can vary so it is wise to check what documents are required
- Claimant's statement - this is a form that the life insurance company provides. It is completed by the individual legally entitled to receive the proceeds of your policy

Insurance companies reserve the right to request further information to determine the cause of death. This may be necessary to establish exactly what benefits are payable for example, whether additional money is to be paid for accidental death.

### **Benefits payable to your estate**

Insurance funds made payable to the estate can be used to pay debts, taxes and the costs of settling the estate. Once all financial obligations are met, the balance of the estate is paid to your heirs. Payment of the claim to your estate takes longer than payment to a person named as the beneficiary. This is because the claim is linked to the legal process of settling the estate.

### **Other assets left to named beneficiaries**

The information on life insurance claims apply in much the same way to any other financial assets for which either a person or the estate is named as the beneficiary. Designating a beneficiary is a useful feature of life insurance, pension and retirement savings owned under a group benefits plan, individually-purchased annuities, registered savings and income funds and so on. Through the personal records listing you prepare, contact can be made with the appropriate financial institution and a claim for payment submitted.

### **Bills, mortgages and other debts**

As part of your own financial planning and management, it's smart to maintain a current record of all your bills and the payments you make. Obviously the same holds true of money owed to you. That way, there can be an orderly clearing of your finances, and, if necessary, debts accounted for as either a liability or an asset of your estate.

Some loans, service contracts and credit card accounts are automatically paid when death occurs. Find out if any of your debts will be cleared if you should die before full payment is made and note which these are. Life insurance is an excellent way to ensure that there will be sufficient money to pay off debts and the expenses of settling your estate, including income tax. Your family's security will be greater still if life insurance provides enough money to achieve full ownership of a home.

**The costs of settling an estate**

Two sets of fees are involved in the settling of an estate - those of the legal advisor involved and the executor or court-appointed administrator. The executor or administrator is usually paid a fee based on the percentage value of the estate - 4%-5% is fairly typical. Legal fees might be based on a percentage of assets or if a considerable amount of work is involved, time spent.



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To have a deeper conversation about how this subject will affect your business, please contact:

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