

A WILL IS NOT AN ESTATE PLAN

Melissa Shin / March 8, 2018



This is part two of a two-part series on estate planning. Read part one [here](#).

Clients may think that an estate plan simply involves a will and, maybe, a power of attorney document.

[Listen to the full podcast on AdvisorToGo, powered by CIBC.](#)

“An estate plan is a more comprehensive exercise that includes the review of your wills,” says Tony Salgado, director of Financial Planning and Advice at CIBC.

“It includes the review of your tax returns,” he adds. And, for business owners, “it includes a review of your organizational structure.” That review [might include an estate freeze](#), but as Salgado emphasizes, “an estate freeze is not an estate plan. An estate freeze is one feature of a good estate plan.”

If clients are fixated on one aspect of their plan, Salgado uses the analogy of buying a luxury car: the plan is the car, and the individual elements are “the best rims or the best tires available.” He also points out that an estate plan’s elements must work well together.

With an estate freeze, for instance, “make sure it works in conjunction with your wills.” The plural is on purpose, he adds, since “in Ontario particularly, it could make a lot of sense to have both a primary and secondary will.”

Typically, people set up one will for assets that are subject to probate (e.g., real estate, bank accounts, investments, cars) and another for assets that are not (e.g., private company shares). Assets can only appear in one will or another. Doing so can help minimize probate fees (officially called estate administration fees in Ontario).

This strategy has been used relatively successfully in Ontario and B.C., though each client’s case will be different. (See “Estate fees,” below.)

THE VALUE OF AN ESTATE PLAN

In cases where a client has a will but no estate plan, Salgado cautions that such a person can die asset-rich but cash-poor.

This is a particular risk for people who own capital property. “With the values of the appreciated real estate market [and] values of appreciated businesses, we are creating wealth like never before,” he points out.

As a result, “we are facing tax liabilities upon death like never before,” says Salgado. “Have you reviewed your life insurance coverage to cover this liability?”

To manage this pitfall, he suggests advisors ask estate planning questions such as:

- Does it make sense to have more than one will?
- Can we plan for a certain tax liability on death (e.g., by using an estate freeze)? If so, how can we fund that liability?
- Have you considered life insurance to leave a legacy, fund a tax liability or protect your family’s finances?
- How does this all relate to an owned small business?

ESTATE FEES

Ontario estate administration tax

Estates worth less than \$1,000 are not required to pay the tax.

- **\$5 for each \$1,000, or part thereof, of the first \$50,000 of the value of the estate, and**
- **\$15 for each \$1,000, or part thereof, of the value of the estate exceeding \$50,000.**

B.C. probate fees

Estates worth less than \$25,000 are not subject to probate.

- **\$6 for every \$1,000 or part of \$1,000 by which the value of the estate exceeds \$25,000 but is not more than \$50,000, plus**
- **\$14 for every \$1,000 or part of \$1,000 by which the value of the estate exceeds \$50,000.**

This article is part of the AdvisorToGo program, powered by CIBC. It was written without input from the sponsor.