

For advisor use only



ESTATE PLANNING

Becoming a resource person

An asset distribution plan is just as important as an asset accumulation plan!



A winning approach!

Considering the aging Canadian population, estate planning is becoming increasingly important for financial security advisors and is one of the most promising areas in the financial services industry. Here are some of the advantages that estate planning offers you:

- This service puts you in a good position to expand the range of products that you offer to each of your clients, depending on their situation.
- You deepen the trust between you and your clients.
- You increase your chances of continuing to manage your client's assets after their death.
- You will be notified of any changes to your client's family and financial situation, thereby generating new sales opportunities.

Who is estate planning for?

The popular belief is that only wealthy families need estate planning, but the reality is quite different. Any person over legal age should have estate planning in order to maximize the value of property left as an inheritance, no matter the monetary value of the property at the present time. Whether your clients are single, married, living together, immigrants, retired, rich or middle class—everyone can benefit from estate planning.

iA Financial Group has prepared this guide to help you better integrate estate planning into your work. The guide contains a series of topics (taxation, estate and insurance) that address each particular aspect of estate planning. These topics will help you continue managing your clients' financial assets after death.

How can you become the go-to person in the area of estate planning?

STEP 1

Know your role as an advisor

Here's a list of your main duties as an advisor:

1. Use *Time Out* (F13-405A) to help your clients draw up an estate balance sheet.
2. Help your clients set inheritance objectives.
3. Inform your clients about the financial consequences stemming from a death.
4. Use the *Investor Profile* (F51-122A) to create an investment strategy adapted to the estate needs of your clients.

To go further in your advisory role, you can also:

1. Analyze your client's estate with the help of specialists such as:
 - Notaries and lawyers
 - Accountants
 - Tax experts
2. Simplify access to a notary in order to complete your clients' last will and testament planning.
3. Plan different strategies to minimize taxes at death.

STEP 2

Adapt your work methods

It's helpful to use the *Time Out* document as a reference tool when meeting with your clients, because it lets you introduce estate planning and its varied aspects such as taxation at death, the division of property and planned giving, which could otherwise be difficult to present. Financial security advisors have been successful using *Time Out* because it gives them an overview of their client's current estate.

Periodic follow-up must be made to take full advantage of this service.

Methodology:

1. Use *Time Out* as a starting point
2. Set realistic goals
3. Create an estate plan
4. Implement strategies



STEP 3

Raise your clients' awareness

As a financial security advisor, you are often the professional closest to your clients!

The majority of your clients are poorly informed about estate planning. It's important to educate them about the consequences a lack of estate planning can have on the inheritance they plan to leave. It's true that certain clients are reluctant to discuss this subject, but remind them that good estate planning ensures the best possible division of all their property and helps them avoid leaving their loved ones in an uncertain financial position after their death.

Advisors who have been successful with this method emphasize that it's important to adopt a positive approach when proposing your services for estate planning. Here are some reasons that you could use:

A great way to get your clients interested is to ask questions, starting from general ones to more specific ones. On the following pages are a number of questions to ask, based on which your clients' needs and concerns will begin to emerge.

Estate planning

Minimizes taxes at death

Maximizes the inheritance value

Minimizes legal expenses

Ensures that the person's last wishes are met

Simplifies settlement of the estate



STEP 4

Surround yourself with experts

Professional networking is an excellent means to increase your influence with clients. It's always practical to build a network of professionals you trust, because they'll help you finalize your clients' estate planning.

Be at the heart of your clients' estate planning!

Surveys show that human contact is a priority for people when it's time for estate planning. Considering the level of trust that clients have in their financial security advisor, you're in a prime position to become the cornerstone of their estate and financial planning.

STEP 5

Enrich your knowledge

To help you further enrich your knowledge of estate planning, please read the enclosed pages about insurance, taxation, wills and other pertinent subjects.



Raising your clients' awareness during an interview

Let the education begin! The following sample questions can serve as an effective guide for this meeting. If your client answers "yes" to any of the following questions, an estate plan will provide them and their loved ones with peace of mind. These questions address issues that go beyond what is covered in the written documents.



General questions

1. **Are you concerned about uncertainty, conflicts or disputes regarding your wishes in matters of your estate?**

- Yes
 No
-

2. **Would you like to minimize taxes payable so that your beneficiaries receive a larger inheritance?**

- Yes
 No
-

3. **Do you want your assets to be distributed as you intended?**

- Yes
 No
-

4. **Do you have a will?**

- Yes
 No
-

5. **Did you know that if you die without a will, the law decides to whom and how much of your assets will be distributed?**

- Yes
 No
-

6. **Do your family members know where to find important documents, such as your will and insurance policies?**

- Yes
 No

Are they all gathered in one place?

- Yes
 No
-

General questions (continued)

7. How do you want your wealth to benefit your children, grandchildren, or community?

[Text input area]

What concerns do you have?

[Text input area]

8. When was the last time you reviewed your estate documents and whom you named as beneficiary and/or successor annuitant?

[Text input area]

9. Do you have a special asset—such as a business or a home—that your family should retain?

- Yes
- No

How will that be done?

[Text input area]

10. Have you earmarked an asset for a particular person or charity?

- Yes
- No

If yes, explain:

[Text input area]

11. Life insurance policies

What would you like the death benefits to do for your family?

[Text input area]

If you had to change anything, what would it be?

[Text input area]

12. Has your health changed since you last reviewed your estate plan?

- Yes
- No

If yes, explain:

[Text input area]



Family issues

13. Who currently depends on your income and financial support?

[Text input area]

14. Have you determined the income needs of your spouse and any other family members who are financially dependent on you?

- Yes
- No

15. What do you want to secure for your spouse and any other family members who are financially dependent after your death?

[Text input area]

16. Do you have children from a previous marriage?

- Yes
- No

17. Do you foresee any conflict between your spouse and your children after your death?

- Yes
- No

18. Do you have a family member with special needs (disability or incapacity to manage money) whom you want to consider in your estate plan?

- Yes
- No

If yes, what are your concerns?

[Text input area]

19. Do you know the implications of leaving an inheritance directly to this person?

- Yes
- No

20. How important is it to you that the investment management of your assets continues after your death or disability?

[Text input area]



Business issues

(if applicable)

21. Do you know your business' current value?

- Yes
- No

22. Do you have a target retirement date?

- Yes
- No

When will you step down as head of your business?

[Text input area]

23. Do you have a formal buy-sell agreement?

- Yes
- No

Is it funded?

[Text input area]

24. How much of the ownership will you relinquish at retirement?

[Text input area]



Informing family members

25. Are there children who are active in the business?

- Yes
- No

What are the plans for the children who are not working in the business?

26. Is creditor protection an issue for you?

- Yes
- No

29. How prepared is your family to receive your inheritance after your death?

30. Do your heirs have the financial knowledge required to maximize the legacy you leave them?

- Yes
- No

31. Have you explained your estate plan or at least your wishes to your family?

- Yes
- No

If not, why?



Tax issues

27. How will the estate taxes and other costs be paid?

- Yes
- No

From what assets?

28. Have you considered using probate fee reduction strategies (when applicable), such as those offered by segregated funds?

- Yes
- No

If yes, explain:

32. Have you made provisions for the distribution of your personal property? (Are you aware that most family conflicts revolve around personal property?)

- Yes
- No

If yes, explain:

33. Have you discussed what should happen if you cannot care for yourself or your financial affairs?

- Yes
- No

If yes, explain:

Be proactive in estate planning to stay ahead of the competition!

Planning for after client's death

<p>1. Contribute to your spouse's RRSP</p>	<ul style="list-style-type: none">– After your client's death, if there is still unused RRSP contribution room, the estate could contribute to the RRSP of the surviving spouse. These contributions will be deductible from the deceased's income and sheltered from tax in the surviving spouse's RRSP.
<p>2. Transfer the RRSP to minor children (if there's no legacy to the spouse) and purchase an annuity for them</p>	<ul style="list-style-type: none">– The transfer of RRSPs to a minor child is allowed only if the child is still financially dependent on the client on the day the client dies.– This strategy prevents the tax consequences of the deceased's registered savings from being included in his income.– The RRSP amount will be included in the child's income.– If the RRSP amount is used to purchase an annuity, the tax due upon receipt of the RRSP can be spread out until the child turns 18. The child will then pay minimal taxes given his or her low taxation rate.
<p>3. Maximize exemptions</p>	<p>Primary residence</p> <ul style="list-style-type: none">– It's possible to benefit from a capital gains exemption on the primary residence if the client owns a secondary residence, by designating as primary residence the one which is registered with the greatest appreciation. For example, if a client owns a secondary residence, when he dies, the estate can decide to designate the secondary residence as the primary one if it was subject to a higher appreciation, even if the client never lived there permanently. <p>Capital gains exemption</p> <ul style="list-style-type: none">– You will find the information on the Government of Canada website: This exemption is:<ul style="list-style-type: none">– \$866,912 in 2019 for eligible small business corporation shares. This amount will be indexed on an annual basis.– \$1,000,000 for farms and fishing firms.

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Taxation at death

	Heirs	
	Spouse	Children and others
Primary residence	None	None
Secondary residence (cottage)	None*	Capital gain or loss
Life insurance benefits	None	None
Non-registered investments	None*	Capital gain or loss (depends on the type of investment)
Registered investments	None*	Added to income of the deceased taxpayer
Office or rental property	None*	Recovery of amortization and capital gain or loss

*Rollover to spouse



Question for your client:

Did you know that if you die without leaving a will, the law decides to whom and in what proportions your assets will be divided?

Wills

Ensure that your clients are aware of the advantages of a notarized will. The absence of a properly executed will at the time of death greatly diminishes the purpose of estate planning, because a will is the key element in the settlement of any estate.



Holographic will

- It must be entirely written and signed by hand by the testator.
- No validation by a witness is required for its authentication.
- The testator may or may not be the only person aware of its contents.
- The testator must nonetheless inform a loved one of where the will is kept so that it can be found at the time of death.
- The wording can give rise to various interpretations.
- This will is often incomplete.
- It requires verification by a notary or a court after the testator's death, which can result in significant expense and delay.



Will before witnesses

- This type of will can be written by hand by the testator, but may also be written using a computer.
- It's possible to have it written by another person, as long as they are over age 18.
 - To be legal, the will must be signed by the testator and two adult witnesses.
 - If the document is written on a computer, the testator and the two witnesses must initial each of the pages for the will to be official.
 - The testator must reveal the place where the document is kept so that it can be found at the time of death.
 - This will involves a waiting period between the death and the liquidation of the estate.
 - The wording can give rise to various interpretations.
 - This will also requires verification by a notary or a court after the testator's death.

Did you know...

50%
of adult Canadians
have a will?





Notarized will

This type of will is written by a notary who, in addition to knowing the importance of correct wording, advises clients so that they don't forget anything in their will. It's true that a notarized will is more expensive; however, the costs could prove to be very little compared to the court costs resulting from contesting the will.

- The notary, the testator and the witnesses must sign the document to validate it.
- A notarized will leaves no ambiguity as to the interpretation of a client's last wishes.
- The original document is kept in a safe place to guarantee its durability.
- This will takes effect upon death.
- It ensures optimal estate and tax planning.



Couples

Under the *Income Tax Act*, couples in common-law partnerships are subject to the same legal rules as married couples. However, the Civil Code of Québec does not recognize common-law partners in legal devolution¹ and estate law. The transfer of property to these spouses must therefore be expressly stated in the will, or they will receive nothing. In the absence of a will, the estate is vested according to the provisions of the Civil Code as presented below.

Devolution examples under the Civil Code of Québec in case of death without a will

Surviving family members	Spouse*	Children	Brothers, sisters, nephews, nieces	Father/mother
Spouse*, children, brothers, sisters and parents	1/3	2/3	N/A	N/A
Spouse*, parents, brothers and sisters	2/3	None	N/A	1/3
Spouse*, brothers and sisters	2/3	None	1/3	None
Spouse* and parents	2/3	None	None	1/3
Spouse* only	100%	None	None	None
Children only	None	100%	N/A	N/A
Brothers, sisters and parents	None	None	1/2	1/2
Parents only	None	None	None	100%
Brothers and sisters only	None	None	100%	None

* Married or civil union

¹ In the absence of a will, the law makes provisions for the person(s) who inherit the estate of the deceased person. This legal devolution is made according to kinship and degree of kinship.

**Question for
your client:**

Do your heirs have the necessary knowledge to optimize the inheritance that you are bequeathing them?

Continuing to manage your client's assets is a matter of planning!

It's not uncommon for a client's children to take on the role of "financial advisor" following the death of one of their parents. It's important that you prepare for such a situation because even though prevalent, it can be avoided with good planning.

Keeping a client until his death is a challenge; continuing to manage his insured capital is an art!

A good way to avoid this problem is to ask your clients to organize a meeting with their heirs to inform them of the estate planning details that they set up with you. You can offer to be present at this meeting in order to explain the more technical aspects and to inform them:

- Of the advantage of thorough estate planning established with the help of a professional
- That the reinvestment of a part of the death benefit is an efficient strategy to optimize the value of the inheritance which will one day be left to them
- That you are a reliable resource and can offer exceptional service and sound advice on financial and estate security.

If it's not possible for you to take part in this meeting, make sure to leave enough business cards with your clients to give to their loved ones so that they can contact you if they have any questions.



Question for your client:

Whenever it's a good time for you, would you like us to look at the best possibilities for growing the money that you inherited?

Here are three tips that can help you make a good impression on beneficiaries

Reaching out to the successor annuitant and/or beneficiaries

Following a death, the relationships that you have with the successor annuitant and/or beneficiaries will be extremely important.

Indeed, research shows that most surviving spouses are worried about their new financial situation, especially if the deceased spouse was the person who administered the family finances.

Tip 1

During meetings, keep your condolences uncomplicated. A simple: "I'm truly sorry for your loss," is sufficient. Be careful not to talk too much about your personal experience with loss, such as: "I recently lost someone, too..." And avoid making predictions about how long it will take for them to feel better or saying that there was a silver lining to the person's passing in such circumstances, etc. Offer your support, however, by telling them they can contact you if there's anything at all you can do for them.

Tip 2

It's true that the reactions of people grieving the loss of a loved one are unpredictable. So tell yourself that if you are rebuffed, their reaction in the moment is probably not indicative of their attitude under normal circumstances.

Tip 3

You should consider the delivery of claim cheques as a privilege, that of offering a service to which your deceased client's beneficiaries have a right.

In conclusion

Your deceased client probably had savings and perhaps insurance coverage at other financial institutions. For this reason, meeting the heirs is a good business opportunity. If you are beginning your career as an advisor, you should ask your sales manager to accompany you when you deliver the cheque.

By treating the beneficiaries as if they were your clients, you improve your chances of gaining their trust, which increases the possibility of retaining management of your deceased client's assets. When all is said and done, you'll have the satisfaction of knowing that you did your job well.



Question for your client:

Would you like to make a charitable donation to a foundation, but don't think you have the means to do so?

See what planned giving can do for your clients

Planned giving through life insurance is beneficial because the organization that you want to help normally receives much more than the amount that you spent (on the premiums).

Governments increasingly encourage donations to charitable organizations by granting significant tax benefits in the form of tax credits for individuals. This strategy increases the donation amount. Depending on the donation type, the tax benefits take effect either at the time of the donation or at the donor's death.

Here are two ways to make a donation using life insurance contracts:

<p>1. By designating beneficiaries</p>	<ul style="list-style-type: none"> – The donor (subscriber) purchases a life insurance policy. – The donor names the charitable organization(s) of his or her choice as beneficiaries. – The donor maintains ownership of the policy during his or her lifetime and may change its beneficiaries. – The donor has access to the surrender values. – The donation of the death benefit is specified in the policy. – The insurance amount is not part of the estate. – The donor's estate is entitled to charitable donation receipt for up to 100% of the net income¹ of the current or prior year. – The donor therefore cannot benefit from tax credits during his or her lifetime.
<p>2. By assigning a new contract or an existing contract</p>	<ul style="list-style-type: none"> – The donor purchases a life insurance policy. – After issue, the donor assigns the contract to the registered charitable organization of his or her choice. – The donor receives a tax credit when premiums are paid. – Upon death, the organization receives the life insurance benefit, but there's no tax relief for the estate. – It's also possible to assign an existing contract. In this case, the donor is entitled to income tax credits for each premium payment from the time the donation is made. – Quick payment with paid-up insurance is possible.

¹The net income of the year of death includes taxable capital gains resulting from the deemed disposition of all property.

Three types of life insurance to meet clients' needs



iA Financial Group offers a range of life insurance products adapted to the philanthropic needs of your clients:

Term life insurance

Affordable coverage for temporary needs. Protects loved ones for as long as clients need, until their financial obligations are met.

This is the ideal solution if:

- The client has dependent children and a limited budget
- The client has loans to pay off in the short and medium term

Permanent life insurance

Insurance for life. Permanent coverage for a client's family and estate.

This is the ideal solution for:

- Clients who want to leave an inheritance.
- Clients who want to stay insured, even if their health deteriorates
- Clients who want to ensure the continuity of their business

Universal life insurance

A combination of permanent life insurance and savings. Coverage during the client's life and possibility of saving by taking advantage of certain tax benefits.

This is the ideal solution for:

- Clients who want to leave a larger inheritance
- Clients who have maximized contributions to their RRSP and TFSA
- Clients who want to protect the value of their company

Experience shows that after a certain number of years, some donors stop paying premiums and the policy lapses, thus depriving the organization of the anticipated financial aid. To avoid this predicament, offer your clients the quick payment option with 10, 15 or 20 years.

Example

Paul is a 45-year-old non-smoker who lives in Ontario. Paul and his family were very touched by the dedication and quality of care provided by the hospital staff when his mother was seriously ill. Now Paul would like to support the hospital foundation. He heard of a great way to make a substantial donation through life insurance. In order to better understand this strategy, his financial security advisor showed him two scenarios.

Type of insurance policy	L20 traditional life insurance
Face amount	\$50,000
Yearly premium	\$943.92

Scenario A

\$50,000 donation through beneficiary designation
Tax credits granted to Paul's estate:

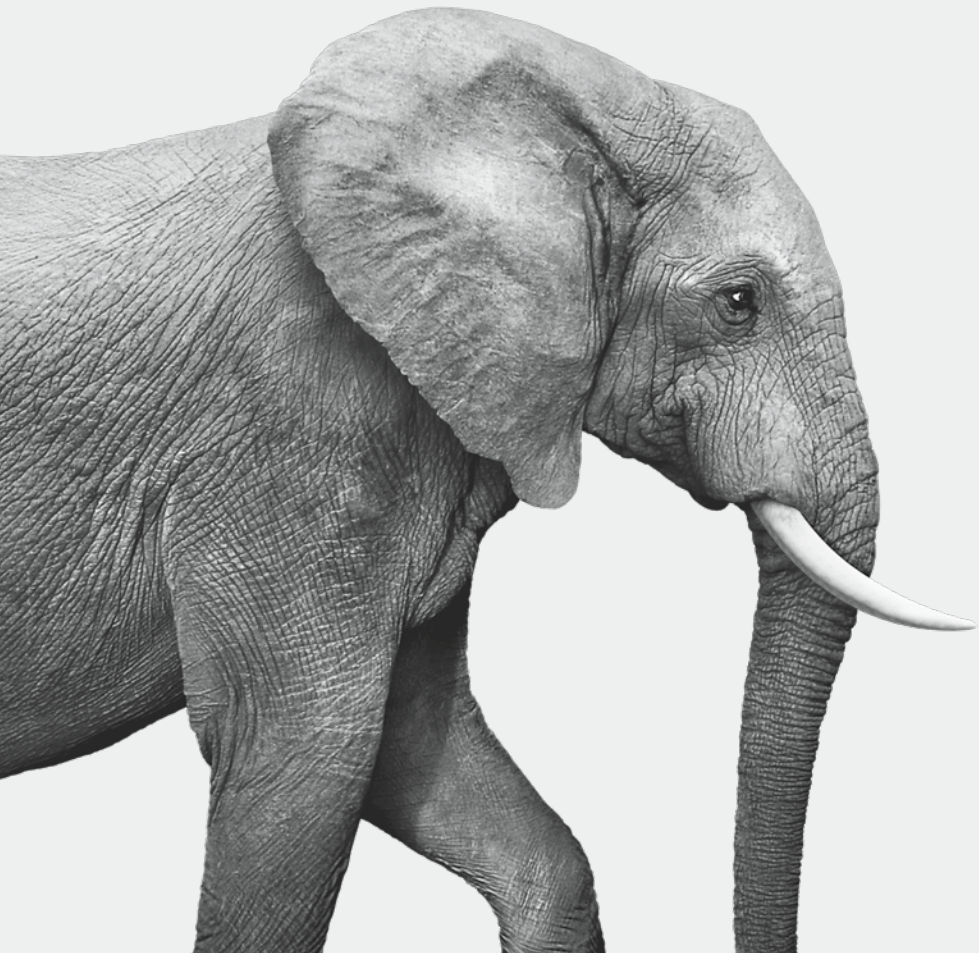
Federal	
First \$200 (\$200.00 x 15.00% *)	\$30.00
Surplus (\$49,800 x 29.00% *)	\$14,442.00
	\$14,472.00
Provincial	
First \$200 (\$200.00 x 7.88% *)	\$15.76
Surplus (\$49,800 x 17.41% *)	\$8,670.00
	\$8,685.76
Tax savings	\$23,157.76
Savings as a % of donation	46.32%
Cost for Paul	
Minimum possible: 1 year x \$943.92	\$944.00
Maximum possible: 20 years x \$943.92	\$18,878.00

Scenario B

\$50,000 donation through assignment of contract
Tax credits granted to Paul during his lifetime:

Federal	
First \$200 (\$200.00 x 15.00% *)	\$30.00
Surplus (\$743.92 x 29.00% *)	\$215.74
	\$245.74
Provincial	
First \$200 (\$200.00 x 7.88% *)	\$15.76
Surplus (\$743.92 x 17.41% *)	\$129.52
	\$145.28
Annual tax savings	\$391.02
Savings as a % of donation	41.43%
Total real cost for Paul	
Minimum possible: 1 year x \$552.90	\$552.90
Maximum possible: 20 years x \$552.90	\$11,058.00

* Accounts for Ontario rebates.



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