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Procrastinating on estate planning can prove fatal

PERSONAL FINANCE
JOEY FITZPATRICK

Why do today what can be put off until tomorrow?

The procrastinator's rationale is especially common when it comes to estate planning, and the reasons are many.

There's no immediate tangible benefit to sitting down and working on an estate plan, and unlike the annual chore of say, doing your income tax, there's no firm deadline looming.

Not only that, estate planning reminds us of our mortality. Who needs that?

Author and certified financial planner Sandy Cardy says almost half of Canadian adults haven't even drawn up a will, the most rudimentary form of estate planning.

Appointing a power-of-attorney – someone to act on your behalf in the event you become incapacitated – is another basic step that most people have neglected, particularly Canadians in their 30s and 40s.

“For somebody that age, the chances of becoming disabled are greater than the chances of dying,” says Cardy who is also vice-president, **Mackenzie Financial**.

Her new book, *The Cottage, the Spider Brooch and the Second Wife*, doesn't go deep into technical issues, is written in accessible language and has a believable storyline to get across the importance of estate planning.

It's the story of the fictional Alfred Hilroy, a recently widowed

68-year old man who believes estate and money matters are best kept private. He has three grown children, among whom he must divide his liquid assets, a family cottage and their mother's heirloom.

And to keep the pot boiling and the plot moving, Alfred has a new girlfriend.

Effective estate planning, Cardy says, has two essential components:

- choosing the right structures and strategies, i.e. trusts, insurance, title of assets, a will, power-of-attorney, tax minimization, et cetera;

- and communicating your wishes to your family members.

One of the biggest myths about estate planning is that only the wealthy need to do it.

“The word ‘estate’ conjures up an image of a mansion on a hill with a stable of cars,” she says. “I would boil it down to: as soon as you have someone in your life that you care about, you need to look at estate planning.”

The skyrocketing value of family cottages and other recreation property has added another compelling twist to estate planning. How do you pass on this asset that comes with such a large accrued gain? When there are not enough liquid assets in the estate, quite often the cottage has to be either mortgaged or sold to pay the tax bill resulting from capital gain.

“You need to look at ways of funding that liability,” she says.

“Insurance can be one tool.”

It's also possible to give the cottage to the children now, while spreading the capital gain out over a number of years.

The potential for family feuds over inheritances is another reason to do estate planning. Unhappy family members are the No. 1 cause of litigation of estates. Fights among siblings become far more likely when wills are ill-conceived, and estate plans are not properly executed.

“Some family fights are never resolved, and once disagreements hit the courts, one side may technically win, but the family as a whole will lose.”

The simple demographics of Canadian society ensure that this issue will continue to loom large in the coming years.

“Over the next 12 years, there's an estimated \$1 trillion going to pass from the elder generation into the hands of the baby boomers.

“That's going to cause some heartache and headache as a result of estate planning issues that haven't been addressed.”

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