

FUTURE PLANNER

A RESOURCE BOOKLET FOR YOU AND YOUR FAMILY



QEII FOUNDATION

EXCELLENCE • INNOVATION • LEADERSHIP

Centennial Building • 1276 South Park Street
Halifax, NS B3H 2Y9
(902) 473-7932
www.qe2foundation.ca

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Foreword

We are pleased to provide you with this publication to use as a resource as you plan for the eventual disbursement of your estate. As you read the following material give careful thought as to how you might use this information to ensure your plans speak to your values and what is important to you.

The plans you make today can provide considerable comfort to your family and friends in the future. By planning now for your eventual death you are providing a priceless gift to your family and friends. An up-to-date Will, clearly outlined funeral wishes and a detailed estate plan will save them considerable frustration, confusion and expense, all at a time when they can least afford them – the time of a family funeral.

As you consider your plans you may discover an opportunity to arrange a charitable gift through your estate plan. Some acts of generosity can be spontaneous while others require careful planning. Consultation with your lawyer and other trusted advisors will ensure your family members receive the support they need and that your wishes will be respected.

It is our hope that your plans provide you with peace of mind while accomplishing your planning goals.

A final word. Every attempt has been made to provide accurate information. However, the material presented here is intended only as a guide to begin your planning. The various lists included in this publication are for your use only and will not make your wishes legally binding. Also, laws can change over time making information incomplete or inaccurate. You are strongly encouraged to seek professional legal advice when drafting documents such as a Will and power of attorney. Other professional advisors should be consulted when considering tax and financial issues.

Charles O’Neil, EPC
Gift Planning Advisor
QEII Health Sciences Centre Foundation
(902) 473-7932
charles.o’neil@qe2foundation.ca

About Estate Planning

Estate planning is the process of making formal arrangements to convey your assets to beneficiaries. Distributions may be made after your death or during your lifetime. A combination of both is common. This booklet will provide information to help you consider your estate planning needs and to seek the professional assistance you may need to ensure your wishes will be followed.

Your estate can be thought of simply as a trust into which all your assets (money, property, personal belongings) are transferred on your death, pending distribution. Often when people think of an estate, images of wealth, luxury homes and large yachts come to mind! While most of us deal with more modest possessions, we all will leave some sort of an estate when we die and we should have a well-crafted plan to distribute it after our death. A properly designed estate plan can accomplish the following:

- Estate assets will be distributed according to your wishes in a timely manner.
- Income taxes owing upon death will be minimized.
- Your beneficiaries will receive more after-tax assets.
- Your estate's legal proceedings will be less complicated and expensive.

The concept of estate planning is simple. However, designing an estate plan that meets your goals and needs may be more complex. It often requires a sophisticated approach, particularly for those owning significant assets. Even if your estate is modest the major objective should be the design of a complete strategy that assures the appropriate handling, administering and disposition of your assets according to your wishes and needs.

The Value of Your Estate

You may be surprised at the total value of your estate when you include all your property – like your home, RRSP/RRIF's, pension, insurance, investments and other assets. A carefully considered, professionally prepared estate plan can help maintain this value for your heirs by minimizing tax liabilities and reducing probate and other fees. An effective estate plan can ensure your assets are distributed according to your wishes. It can protect your beneficiaries from costly and needless delay and aggravation in settling your estate. On the other hand an estate that cannot be settled promptly can mean extra expenses for your beneficiaries who may lack their own financial resources.

A good first step in preparing your estate plan is to make a record of your assets and keep it up-to-date. A helpful form is provided on page 8.

When listing your assets consider the following:

- In whose name is the title to your house? Is it jointly-owned with your spouse? This is important in determining whether it will be distributed through your Will or not.
- Who are the beneficiaries under your pension plan and life insurance policies? If there are named beneficiaries these will pass outside of your Will.
- What is the total value of your assets?
- If you own a business do you have a succession plan in place?
- Have you loaned money to family members? Has this been documented?

You should keep clear records of what you owe, such as mortgages, bank loans, etc. You also should calculate taxes owing in the future on capital property such as a cottage or investments. This is explained more fully on page 10.

By calculating the value of what you own and subtracting what you owe (including income taxes), you will have an estimate of what will be available for your heirs. A helpful form to do this is found on page 8. Keep in mind there is a cost to administer and settle an estate. Roughly, this can be between two and six per cent of the total estate value.

Definitions

Joint Tenancy – On the death of one tenant full property title passes to the surviving tenant(s).

Tenants in Common – On the death of one tenant that share passes to their heirs.

Probate

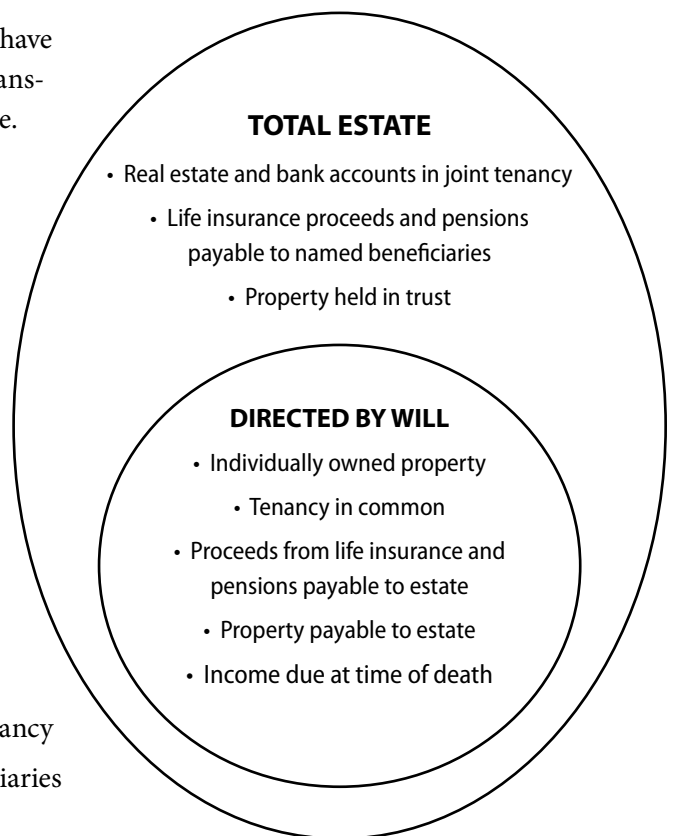
Your total estate includes everything you own or have an interest in. However, not everything will be transferred through your Will in the process of probate.

Your Will governs:

- Property in your name alone
- Property owned by you and others as tenants in common
- Property payable to your estate because of your death
- Proceeds from life insurance policies and retirement plans payable to your estate
- Income to which you were entitled but had not received at the time of death

The following pass outside your Will:

- Real estate and bank accounts held in joint tenancy
- Life insurance proceeds paid to named beneficiaries
- Pension benefits paid to a spouse or children
- Property held in trust



Probate Fees

Probate is the process of administering the estate of a deceased person under the supervision of the Probate court. There is a cost to do this. At the time of printing fees are as follows.

Nova Scotia

Estates up to \$10,000 = \$77
\$10,001 to \$25,000 = \$193.61
\$25,001 to \$50,000 = \$322.21
\$50,001 to \$100,000 = \$902.03
\$100,001 & above = \$902.03 plus \$15.23 for every \$1,000 or fraction thereof in excess of \$100,001 (1.523%)

Prince Edward Island

Estates up to \$10,000 = \$50
\$10,001 to \$25,000 = \$100
\$25,001 to \$50,000 = \$200
\$50,001 to \$100,000 = \$400
\$100,001 & above = \$400 plus \$4.00 for every \$1,000 or fraction thereof in excess of \$100,001 (0.4%)

New Brunswick

Estates up to \$5,000 = \$25
\$5,001 to \$20,000 = \$100 for each \$5,000
Over \$20,000 = \$5 per \$1,000 (0.5%)

You can reduce the amount of your estate that must be probated by using a number of strategies. One is to hold assets – such as property and bank accounts – jointly with someone who you want to receive the property after your death. However, the reduction of probate fees should not drive your planning process. Also, there are significant legal implications in establishing joint property that must be carefully thought through to avoid unintended and costly consequences. Consultation with a lawyer is vital in this situation.

Life Insurance as a planning tool

Most people have some type of life insurance, but few understand what a flexible tool it can be for estate planning. Insurance is not just protection for emergencies. It can allow you to accumulate funds on a tax sheltered basis to supplement your retirement income. It can provide replacement income for your dependants if something should happen to you. Or it can help you and your family pay for anticipated future expenses such as children's education.

Taxation of life insurance

Life insurance proceeds received on the death of the insured person generally are not taxable. This is the reason life insurance is so valuable. It provides tax-free cash at a time when funeral expenses must be paid, and when your family members are distracted from their normal activities. The proceeds of a life insurance policy can provide a financial cushion at such a stressful time.

Policies that accumulate a cash value can be surrendered for the cash, but this will have tax consequences. Your insurance broker can help you determine the tax implications. But again, the death benefit of a policy is generally not taxable.

Possible beneficiaries

Most people think of family members as beneficiaries of an insurance policy. However, it also is possible to name your estate or a charitable organization as beneficiary, or even to create a trust with life insurance proceeds. These options are briefly described below.

Estate

Naming your estate as beneficiary of a life insurance policy provides liquidity that can be very helpful, particularly if significant taxes will be due in the year of death. Proceeds of the policy will be part of the probated estate and therefore subject to probate fees.

Family Members

Spouses and children are the most frequently named beneficiaries of insurance policies; usually purchased as a means of providing for their financial security. For most policies it is possible to name a primary beneficiary, such as your spouse, and contingent beneficiaries – other family members – in the event your spouse does not survive you.

Charitable Organizations

Naming a charity as beneficiary can allow you to make a substantial charitable gift at a modest cost. This can be done either by changing the beneficiary designation of an existing policy or by purchasing a new policy. Because beneficiary designations can be changed – unlike assigning ownership of a policy, which is irrevocable – naming a charitable organization as beneficiary does not qualify you to receive a donation receipt. However, if the charity remains the beneficiary it will issue a donation

receipt to your estate when it receives the death proceeds. This charitable donation receipt can reduce the taxes payable on your final tax return.

Ownership of a new policy, or an existing one with premiums still owing, can be transferred to a charity to create a future gift of the death benefit. Because ownership has been irrevocably transferred any premium payments are considered to be a charitable gift and a tax receipt is issued for the payments.

Insurance Trust

A life insurance policy normally pays the death benefit to your estate or to a named beneficiary. If it is paid to your estate it will be subject to probate fees and possibly to any legal action against the estate. It is possible to direct the policy's death benefit to be held in trust by a trustee that you name. You may further direct the trustee to hold the proceeds for a specific time before paying it out to a named beneficiary, or to pay out when the beneficiary reaches a certain age. Under the terms of the insurance trust you also may direct the trustee to control the way in which funds are used by, or for the benefit of the beneficiary. This may be particularly useful if the beneficiary is a minor, has a disability, or is otherwise not capable of managing money.

"You will find, as you look back on your life, that the moments that stand out are the moments when you have done things for others."

~ Henry Drummond

Wealth Replacement Strategy

Some individuals who arrange a gift to a charity – whether in the form of cash, securities, real estate, etc. – are concerned about diminishing the legacy intended for their heirs. One possible way to resolve this dilemma is to purchase life insurance having a face value equal to the asset you are donating, and name the children (or other heirs) as the beneficiaries. If the asset is given to a charity outright, the tax credit for the gift might be large enough to offset the cost of the premiums needed to purchase the insurance policy.

Example

Maurice and Leona want to contribute some stocks valued at \$100,000 to their favourite charity, but don't want to reduce their children's inheritance. The tax credit from the gift amounts to approximately \$50,000 (50% of \$100,000) that they spread over several years. They use this tax saving to purchase a "second-to-die" policy that will pay \$100,000 to the children when the surviving spouse dies.

If Maurice and Leona decided not to make an outright gift, they could contribute an asset to a Charitable Remainder Trust (see page 27). This would

allow them to receive both income for life and a one-time donation receipt for the present value of the trust principal that will eventually be distributed to the charity. The trust income could be used to offset the premium cost of a life insurance policy payable to their children, thereby replacing the value of the asset in the future for their heirs.

Example

At ages 68 and 67, Maurice and Leona contribute bonds valued at \$200,000 to a Charitable Remainder Trust. They receive the net income from the bonds, which in this case is \$14,000 per year. Moreover, they are entitled to a donation receipt for \$48,247 (based on the calculated value of the future gift to the charity). Assuming the combined federal/provincial tax credit is 50%, this receipt provides a tax credit of \$24,123. They then purchase a \$200,000 life insurance policy, naming their children as beneficiaries. They use the amount saved through the tax credit, plus some of the trust income, to pay the premiums. Through this arrangement they make a future gift to the charity, protect their heirs, and preserve adequate cash flow for themselves!

Conclusion

Life insurance can play many roles in financial and estate planning. It can provide financial security for young families, and a more comfortable retirement as parents grow older. It can pay funeral expenses or fund capital gains tax liability that arises in an estate. It can be transferred as a gift to a family member or a charitable organization.

Your need for insurance will change as your income, assets and family dynamics change. By thinking of insurance as a flexible, rather than a fixed asset you can use it to meet your family's needs and accomplish other goals that are important to you during your lifetime and beyond.

Balance Sheet

Date: _____

Assets:

You _____ Your spouse _____

\$ _____ \$ _____

Personal residence _____

Other real estate (list below) _____

Personal property _____

RRSP's _____

RRIF's _____

RPP's _____

Stocks and bonds _____

Life insurance _____

Business interests _____

Bank accounts _____

A Total Assets \$ _____ \$ _____

Liabilities:

You _____ Your spouse _____

\$ _____ \$ _____

Credit cards _____

Personal loans (list below) _____

Business loans (list below) _____

Mortgages _____

B Total liabilities \$ _____ \$ _____

Net worth (A – B) \$ _____ \$ _____

This balance sheet can help you estimate the value of your estate, including both assets and debts owing.

Death and Taxes

Currently, there are no estate or inheritance taxes in Canada. Nevertheless, there are tax implications on death which can have considerable impact on your estate and your heirs.

Deemed Disposition

In Canada you are deemed to have disposed of all your property at fair market value, the instant before death. This is called “deemed disposition”. Vacation property, stocks, mutual fund holdings, and other capital property may have increased in value significantly since you first acquired them. This increase in value is called “capital gain”. Current tax law requires you to pay income tax on 50% of any capital gain triggered by deemed disposition. This extra income will be subject to income tax on your final tax return prepared by your executor. For many people this can add up to a considerable cost.

There are some exceptions to deemed disposition including your principal residence and some property that may be rolled over to your spouse on a tax-deferred basis until their death. Planning ahead for deemed disposition can help you reduce the amount of tax owing by your estate.

Registered Funds

Your registered funds such as RRSP’s and RRIF’s have grown in a tax sheltered environment during your lifetime. However, upon death the full value of the fund will become taxable income on your final return. You can defer this tax by transferring

the plan to your spouse through your will (or by designating him/her a beneficiary under the plan). This means the tax won’t be assessed until your spouse disposes of the fund or until their death.

For those who may have adequate retirement assets from other sources, designating a charity as beneficiary of a RRIF can be a way of avoiding the income tax due while still providing for heirs. Consider the following example. If the funds are left to children approximately one half will disappear in the form of income tax. If a charity is the designated beneficiary, on death the charitable tax receipt will offset the income tax due. Other non-taxed assets, such as GIC’s or bonds, could be left to heirs.

Clearly, most people will want to plan for this “deemed disposition” to reduce the impact of the capital gains tax and to retain as much value as possible in their estate for their heirs.

Charitable Bequests

Charitable bequests to a favourite charity can be an important part of your estate plan. The bequest will provide a tax credit at the highest marginal tax rate on your final tax return. This credit will help to offset income taxes that may be assessed. (Tax implications of charitable bequests are described in more detail on page 29)

The Family Cottage

Your cottage property may have increased in value since you first acquired it. Because of deemed disposition, your heirs may be forced to sell the property to pay the income taxes owing (due to the tax on the capital gain).

To address this problem, you could purchase a life insurance policy payable to your heirs in anticipation of the tax bill, so the death benefit will be available to cover the taxes owing.

Alternatively, it may be possible to arrange a life insurance policy with the death benefit payable to a charity. When the death benefit is paid, your estate is issued a tax receipt for the gift. The charitable tax credit for this gift could offset the income tax from the deemed disposition of the cottage. In this scenario you have saved your heirs income tax and provided a charity with a future gift.

See pages 5 and 25 for more information on life insurance. Once again, professional advice is required to properly structure your estate plan to best advantage.

"The bread in your cupboard belongs to the hungry man; the coat hanging unused in your closet belongs to the man who needs it; the shoes rotting in your closet belong to the man who has none; the money which you hoard in the bank belongs to the poor. You do wrong to everyone you could help, but fail to help."

~ St. Basil the Great

Adopting a Charity

Many people with children will want to divide their estate equally between their children upon the death of the surviving spouse. One way to use the charitable tax credit to support a gift to your favourite charity is to think of the charity as an "additional child" in your Will by assigning to the charity an equal share of your estate. The benefit of the tax credit from the charity's portion of your estate will be divided among your children, so the reduction in their share due to the gift will not be as great. And you will be supporting the work of your favourite charity too!

Example

If you have three children whom you want to share equally in the residue of your estate, they each will receive one-third or 33% of the residue. If you were to add an equal share to a charity, then your three children and the charity each would receive 25% – which is a reduction of about 8% for each child. However, the tax credit earned from the charity's portion makes more of the residue available for distribution. This means each of your child's share will be reduced by only about 5%, not the 8% as would be the case without the tax credit.

Professional Advice

There may be other planning opportunities that could reduce your tax liability on death. Some of these opportunities can include a gift to a favourite charitable cause. You should consult with a professional advisor who can assist you to minimize the tax impact on your estate, and perhaps suggest ways your estate plan could support a charitable gift. If you are considering a gift to the QEII Foundation our gift planning advisor is available to work with you and your financial and legal advisors.

Your Will

The Will, along with a Power of Attorney and Health Care Directive, make up the three key documents of estate planning. The Will provides instructions about what you want done with your property after your death. Making a Will is the only way to make sure your property is distributed as you wish.

We all have good intentions, and many of us have Wills – not quite finished! Making a Will is something we all know we should do, but often put aside until it's too late. Sometimes we begin the process but don't finish it – the Will is written but not signed.

The lack of a proper Will can have unintended consequences. Treasured personal possessions are distributed in accordance with impersonal laws. Heirs experience needless expense and emotional distress. Opportunities to express one's values and convictions through special charitable bequests are lost.

Fortunately, preparing a clear and effective Will is not difficult. In less time and with less expense than you think, you can have the satisfaction of knowing that you have ensured your wishes and eased the way for those you love. Let this booklet be your guide as you do what you have for so long intended.

Life Stages and Wills

Once written, a Will should be reviewed every five years or so, or when there has been a significant financial or personal event in your life. A Will written when we have young children may not reflect our wishes when we are grandparents. A Will prepared when we are single may not reflect our wishes once married. In fact, the law currently

states that a Will becomes invalid upon marriage unless the Will specifically anticipates the marriage.

Events in our lives often require a change in our Wills. Any of the following may require a Will update:

- Birth of a child or grandchild
- Significant change in financial status
- Change in marital status
- Change in province or country of residence
- Sale or purchase of property
- Death of a beneficiary, personal representative (executor), trustee or guardian

Updating your Will is an opportunity to include a bequest to a charity.

Dying Without a Will

Dying without a Will is called dying intestate. Should this happen to you your estate will be managed according to the provincial intestate law. This law determines who is to receive what assets and the timing of the transfer. The courts also will appoint an administrator who will need to be bonded through an insurance company unless this requirement is waived by the Probate Court. The larger the estate, the higher will be the cost. All this will create delays and expenses that will be borne by your estate, reducing what is left for your heirs.

It is possible you would be satisfied with the court's choice of administrator and the division of your property by law. It is likely you would not.

- You may have wanted your children to receive your property only after your spouse's death, not get a portion of it now as provincial law dictates.
- You may not want your underage children to receive their full share at the age of majority. (In Nova Scotia and New Brunswick, age 19 and Prince Edward Island, age 18)
- You may have preferred to give some children a larger portion because of special needs, not equal shares as provincial law requires. Or perhaps you wanted to prepare a special trust for children with special needs.
- You may have chosen to leave legacies to some special friends rather than the distant relatives stipulated by the province's rigid rules for next-of-kin succession.
- You may have intended to leave a bequest to a charity that played an important role in your life, but the laws of intestacy make no allowance for charity – except the province itself in the case you have no surviving relatives.

In making a Will you exercise your fundamental right to choose what to do with the accumulations of a lifetime. Nevertheless, if your Will is not part of a general estate plan, your wishes could still be frustrated – even to the extent of disinheriting those you most want to help. An asset you intend to divide equally among all your children could instead be passed entirely to one of them because,

years ago, it was placed in joint tenancy (joint ownership) with that child, and is therefore beyond the scope of your Will. A charitable bequest you intend to make could go unmade because your Will specified particular securities which have since been sold and replaced by other property.

Good intentions are not enough to ensure that property goes to the ones you wish. Make sure your estate plan integrates property governed by your Will, property in trust, and property that passes to a beneficiary(ies) under a joint tenancy arrangement. Revise your Will, and make necessary changes when you acquire or dispose of major assets. And of course, select as your executor someone who is trustworthy and competent, and who understands your wishes and your values.

Commercial Will Kits

A Will “kit” may be purchased at stationary stores for a small price. While a valid Will may be created using the kit, it is not recommended that you use them. A Will is a legal document that must be prepared properly according to law. An error could possibly disinherit your family or make the entire Will invalid. The result could be that you are presumed to have died intestate. If you already have completed a Will using a kit, you are strongly urged to have a lawyer review it with you.

The cost to have a Will prepared by a lawyer will vary according to the complexity of the estate, but the fee is minimal when compared to the cost of dying without a proper Will.

Beneficiaries of Your Estate

(a) Your Spouse

A common reason why people do not write a Will is that they believe their assets will automatically go to their spouse. However, provincial intestate legislation generally divides estates equally between the surviving spouse and children. If the children are under-age the children's share will be held in trust until the age of majority (NS & NB, age 19 and PEI, age 18) and then distributed. This could create significant financial difficulties for your spouse. Also, the law does not differentiate between the spouse of a first and subsequent marriage. You may not want a significant portion of your estate to be permanently disbursed to a second spouse.

Under a Will, a testamentary trust can be created where assets are used to fund a legal trust, managed by a trustee you select, that will provide income to meet your spouse's future needs. The trustee can be given the authority to disburse some or all of the capital of the trust if needed and stipulate the conditions under which this disbursement takes place. Upon the death of the beneficiary of the trust, the Will can determine who is to receive the remaining assets of the trust. For example, this could be a charity or other relatives.

A trust is particularly useful in situations where the surviving spouse may not be capable of handling finances independently due to age, illness or some other reason. A lawyer knowledgeable in trust law should be consulted.

(b) Your Children

Most people leave the bulk of their estate to their spouse, and upon their death the estate is divided among the surviving children. If your children are too young to receive their share you can appoint a trustee to hold each child's share, or all

the children's shares, in a trust until they reach a certain age. The trustee can be directed to use the trust assets for the benefit of the children. If you have more than one child you can direct that the proceeds of the estate be kept in a single trust until the youngest reaches an age you choose. Then, whatever is left in the trust can be divided equally among the children under the conditions you determine. (For example, the proceeds can be held until all the children are educated to a standard determined by the guardian)

If a child's share is expected to be substantial you could direct that it be given in stages – part at one age and the balance at a later age, or perhaps at a certain event in their life.

You should consider:

- How much flexibility will the trustee have as to use of the income and the capital of the trust? Will the capital of the trust be available to the children upon demand or only under certain circumstances? It is not necessary to anticipate every possible circumstance. You can give the trustee the power to encroach upon the principal but provide general guidelines governing when this could happen, or leave the decision at the discretion of the trustee.
- If a child dies before receiving the balance of their share who will receive what is left? His/her children? His/her spouse? As he/she directs in their Will? Your other descendants?

If a child is incapable of managing what they receive, a Discretionary Trust can be established for the lifetime of the child, with the balance at their death disbursed to other family members or charity. Care must be taken to select appropriate successor trustees in the event the first trustee dies. In the case where a child will likely outlive the first trustee, a trust company could be considered.

Guardians — A Will offers you the opportunity to name a guardian of your underage children, should both you and your spouse die. Naming a guardian will avoid disputes among family members with the court having to decide. It is a good idea to appoint a separate guardian and trustee to avoid the possibility of a conflict of interest. It is also important to check with the individuals you name to ensure they are willing and able to act.

(c) Dependents

Under law you have a responsibility to provide for your dependants as well as your spouse and other family members. Even adult children may have a legal claim on your estate. That is why it is important to consult a lawyer to ensure your Will is properly drafted.

(d) Others

You may make a specific bequest to someone in your Will, either as an outright gift or within a trust, and with or without conditions. This gift may be either a set amount or a percentage of the residue of your estate. If you have no immediate family you need to carefully consider who you want to share in your estate. Often in these circumstances individuals will name a favourite charity. It is essential that the correct legal name of the organization is used to avoid confusion and to ensure that your intended charity receives the gift.

Ensuring That Each Heir is Treated Appropriately

If you have minor children (NS & NB, age 19 and PEI, age 18) you may want to establish a trust for their care if both you and your spouse were to die. Principal distributions would be delayed until whatever age you judge the children to be mature enough to receive them.

If you have one child who manages money well and another who doesn't, you could leave the one a lump sum and the other a stream of income through a trust or annuity. Likewise, if you have a child with disabilities, the best arrangement may be a trust in which the trustee has discretion to make capital distributions for special needs and residential care.

When there are children by a previous marriage, a common problem is how to provide adequately for the surviving spouse while ensuring that the property (any estate assets) eventually gets to your children. Simply bequeathing your property to your spouse, or placing it in joint ownership with right of survivorship, could cause your children to be disinherited if the surviving spouse:

- dies without a valid Will, in which case all the property would go to his or her next of kin; or,
- remarries and transfers the property to the new spouse; or,
- makes a new Will leaving most of the property to his or her relatives and preferred institutions.

The solution may be a spousal trust created under your Will. It pays all of the income from the trust property (and some principal, if you so choose) to your spouse. At his or her death the remaining principal is distributed to your children.

Personal and Household Effects

You may have special items you want to give to particular people. There are several ways to handle this and it is important to discuss your wishes with your lawyer. You could outline your wishes in your Will. However, this can lead to difficulties if you have disposed of these items before your death or they can not be found. You also may want to change your mind and this will require a change to your Will. An alternative is to draw up a list of these items and those you wish to receive

them and keep it with your Will. The list is not binding upon your personal representative (executor) but it will be helpful to them in determining your wishes. Another method is to give your personal representative the power in your Will to distribute the items as they see fit.

Your Personal Representative (Executor)

The person(s) you appoint in your Will to administer your estate is called the personal representative or “executor”. There is a considerable amount of work to settle an estate, yet many people will appoint a spouse or close relative to do this without giving much thought to the skills necessary. It also is important to obtain their consent. Personal representatives may refuse to act so it is important to know this in advance. You should also consider an alternate representative in case your first choice dies before you or is unable or unwilling to act.

Personal representatives not only need to be honest and fair but have good judgment. The duties can be complex and will certainly last at least a year, and often considerably longer.

Some of the duties of the personal representative include:

- Locate and review the Will
- Communicate with beneficiaries
- Locate and protect all assets and register them in the name of the estate
- Protect any business interests
- Obtain value of all assets and liabilities
- Communicate with estate lawyer regarding all legal matters including probate
- Advertise for creditors
- Pay all taxes, debts and bills
- Provide an accounting of all income and disbursements of the estate
- Distribute the estate
- Handle any trusts and investments

The personal representative is personally liable for the amounts distributed from the estate, and therefore must be very careful for example, to obtain income tax clearance from Canada Revenue Agency (CRA) prior to distribution.

There are many opportunities for conflict among family members and other beneficiaries of an estate. The executor needs to be able to meet demands and disagreements with an even hand keeping in mind the best interests of your estate. Appointing a trust company can be a prudent decision. Sometimes a trusted family member and trust company are appointed as joint representatives.

Making the best choice of who will be your personal representative is one of the most important aspects of making a Will.

Fees

A personal representative is entitled by law to a fee for their service. Currently the fee in Nova Scotia is a maximum of 5% of the value of the assets passing under the Will. In Prince Edward Island and New Brunswick the fee is typically below 5%. This is normally paid after the estate is wound up – which can take at least a year or more. As a rule, the fee is considered taxable income. Trust companies usually will establish a fee arrangement with you when you create your Will.

Visiting your Lawyer

The following information should be gathered before you visit your lawyer. This will save time and expense and keep you focused.

1. Make a list of every person for whom you have responsibility. e.g. minor children, aging parents and other dependants.
2. List the full legal name of every person, charity and church organization you would like to remember in your Will.
3. Make a list of your significant assets and property – including bank accounts, investments, life insurance and retirement plans.
4. Make a list of all your debts and obligations.
5. Ask your chosen personal representative(s), guardian for minor children and trustee (if applicable) if they are willing to serve.
6. Take with you any existing Will, Powers of Attorney and Health Care Directives.
7. List any specific property or belongings you wish a particular person to receive.

Did You Know?

You should not put requests for funeral and burial arrangements in your Will. A Will is usually reviewed by the executor after the funeral. Funeral and burial information should be in a separate letter given to your executor when your Will is prepared. You should also share your wishes with your family.

Ethical Wills

There is a growing interest in reviving the ancient practice of writing a so-called “ethical will”, in which one’s values and beliefs are recorded for the benefit of heirs. Examples of ethical wills are found in Hebrew scripture in the Book of Genesis, Chapter 49 and in the Christian New Testament in John, Chapter 15 to 18. The practice is also found in other faith traditions.

An ethical will does not replace your legally prepared “last will and testament” that is essential for the proper distribution of your estate. Rather, an ethical will shares your observations of the

past, life lessons, hopes and expressions of love and forgiveness. It can be formal or informal in style and contain specific instructions or general thoughts or observations. Information is available on the internet by searching “ethical wills” or in your local book store or library.

Power of Attorney

The second key document of your estate plan is the Power of Attorney. It goes with your Will and Health Care Directive to make up a well-prepared plan. A Power of Attorney is a legal document that lets you (the “donor” or “principal”) give another person (the “attorney”) authority to act on your behalf. The attorney does not have to be a lawyer.

Giving someone a Power of Attorney does not limit you from acting on your own behalf. You still have control of your financial affairs and are free to deal with your property, money, and investments. A Power of Attorney ceases upon death of the donor. At that time your Will takes over.

If you do not wish to give a relative or friend Power of Attorney, you can appoint a lawyer or trust company. Also, depending on the circumstances, the Provincial Office of the Public Trustee may agree to act as your attorney.

Reasons to have a Power of Attorney

At any time during your life you might decide to give someone Power of Attorney to keep your affairs running smoothly while you are not physically able to do so yourself. This could be because you are ill or infirm; because you will be travelling or working away from home for awhile; or because you suffered an accident which has left you physically incapacitated. A Power of Attorney can be set up for a long or short time, and it can give either broad or specific powers to the person you select as attorney.

In Case of Mental Incapacity

If you become mentally incompetent, the power becomes invalid unless it is an Enduring Power of Attorney. An Enduring Power of Attorney is one that specifically provides for the power to remain in force if you become mentally incompetent.

For estate planning purposes, it is best to have an Enduring Power of Attorney. Selecting a competent and trusted person as attorney now, gives you peace of mind knowing that someone who knows you and your values will be able to act on your behalf if you become mentally incompetent. If you do not have an enduring Power of Attorney and you become mentally incompetent, a guardian may have to be appointed by the courts to handle your affairs.

Defining the Powers

You choose what powers to give your attorney. A general Power of Attorney gives the attorney power to act in every capacity for you. A specific Power of Attorney gives the attorney power to carry out specific acts only, such as the power to sell land or access a bank account. You must be sure that a specific Power of Attorney gives your attorney enough power to complete the task. For example, the power to purchase a piece of land should include the power to sign all documents necessary to complete the purchase.

Medical Decisions

Appointing someone to make medical decisions for you is a kind of Power of Attorney, but the documentation required to set this up varies from province to province. Laws in NS, NB and PEI let you give someone power to consent to medical treatment (or other care) on your behalf if you become mentally or physically incapable of giving consent.

In Nova Scotia and New Brunswick your named attorney can make medical decisions for you if your Power of Attorney document gives them the authority.

In Prince Edward Island your Power of Attorney document may not give this authority. Therefore, you are wise to prepare a separate document called the “Health Care Directive”. See page 19.

For either province the power must be in writing, signed by you, and witnessed. The witness cannot be either the attorney or the attorney’s spouse.

Risks

Most people appointed as attorneys are honest and will do their best to manage your affairs in accordance with your wishes. However, an attorney could use your property for their own benefit. Or, they may deal with property in a manner that goes against your wishes because they believe they know what is in your best interests.

Depending on the terms of the power, your attorney may be able to withdraw cash from your bank accounts, buy and sell investments on your behalf, deal with your property, and sign contracts

on your behalf. If your attorney has power to deal with your bank accounts and investments, your bank does not have to tell you that cash is being withdrawn from your account. However, some banks may have a policy to tell you if large sums are being withdrawn.

You should carefully select your named attorney and make sure you know what your Power of Attorney is being used for. Your lawyer is the best source of information concerning the drawing of a Power of Attorney and the powers it provides.

The Alternative

If you become incapacitated without a Power of Attorney in place and something needs your signature the court will have to appoint someone to act on your behalf. In PEI and NB this is called a “committee” (pronounced COM-ee-tay). You likely will have no say in who is appointed and the process is costly in time and money. Legal fees, medical fees for two doctors and court fees all will be incurred. Guardians also may have to be bonded (unless you use a trust company) which requires substantial insurance premiums. A seven to eight week delay is typical. A formal accounting of the money handled by the guardian may be required.

Having arrangements in place not only will give you peace of mind, but also will provide your family with comfort – knowing they will be protected. This also will avoid placing them in a position of having to second guess your wishes.

By planning ahead, you will best be able to have your affairs managed in the way you would like, both during your lifetime and upon death.

Health Care Directive & Living Will

In addition to a Will and Power of Attorney, you should prepare a health care directive appointing someone to make decisions about your personal care and medical care in case you become incapacitated in the future, either permanently or during a temporary illness.

Personal care issues include decisions about living arrangements, nutrition, and support services.

A document outlining wishes for medical care is sometimes called a living will and includes decisions about what type of medical treatments and interventions you want or do not want if you are unable to communicate your decisions.

An important part of a health care directive is the appointment of a person to act on your behalf, sometimes called a proxy or delegate. This will be a person whom you trust to make these decisions for you. The appointment becomes valid when you are no longer capable of giving consent to medical treatment or directions about your personal care. It is a good idea to appoint a substitute proxy in the event the original person is unable or unwilling to act.

Health care directives are governed by provincial legislation and cover different powers depending upon the particular province. In New Brunswick the document is called Personal Care Powers of Attorney but only directions covering your personal care are legally binding. New Brunswick does not recognize a so-called living will as a legal document. However, including wishes for medical care provides your doctor and family with a strong statement. If health care professionals know of your specific written instructions, they may follow your wishes.

In Nova Scotia the Personal Care Directive Act allows you to appoint a delegate to direct both your personal care for things like nutrition, shelter, clothing, comfort and support services, as well as medical care and treatment.

In Prince Edward Island the document is called a Health Care Directive and only covers medical care and treatment (Living Will). It does not cover personal care issues.

The person you appoint as your proxy or delegate will assume significant responsibility. In addition to ensuring your written instructions are followed, in the absence of instructions they must make decisions based on what they know of your values and beliefs. If they do not know what you would have wanted your delegate must make a decision that they believe is in your best interests. Also, if you name people in your directive that you want your delegate to speak with before making a final decision, then your delegate must do this.

If you are rendered incapable of making your own decisions and you do not have a proper directive in place, someone will be appointed. This could be a costly or time consuming process, and the appointed person may not be someone you would have wanted to make these decisions on your behalf.

Death and Funerals

In our society death is an unpopular topic. Nevertheless, it is an unavoidable event and for the sake of those we leave behind we should take the necessary steps to prepare. Doing so in a responsible and well-thought through manner can provide significant peace of mind, for us and for our families.

Decisions

After a death family members face four key sets of decisions:

1. What to do with the body
2. What services and merchandise to purchase
3. How the funeral service will best acknowledge the death and celebrate the life
4. How to memorialize the life

The Body

- 1) Burial means that the body, in some sort of casket, will be placed in a grave plot, perhaps with an outer burial container if required by local laws. Costs will vary widely depending upon the location and the supplier.
- 2) Entombment is placing the body in a casket and then in an above-ground crypt. The costs are about the same as burial.
- 3) Cremation is the dehydrating of the body by extreme heat and then crushing the remaining bones and fragments. Cremation is an option chosen by a growing percentage of Canadians. Regarding cost, cremation may not be significantly lower than that of a traditional burial depending upon options selected.
- 4) Donating the body for teaching or research purposes is possible through local medical schools. Dalhousie University in Halifax, NS accepts bodies for its medical school. Acceptance of the body will depend upon the need of the Medical School at the time. For more information contact the Department of Anatomy & Neurobiology at (902) 494-6850.

Organ donation for transplant is also possible. The state of the body will determine usefulness. Some conditions, like contagious diseases, obesity, trauma, recent surgery or emaciation will make it impossible. Corneas, even of elderly persons, are welcomed. It is important to remember that a body from which organs have been removed will not be accepted for medical study, and the family will have to arrange burial or cremation. See Resources, page 39 for contact information.

Making Funeral Arrangements

A funeral director can be very helpful in planning for a funeral. Funeral homes offer a variety of services and can help to arrange the pre-payment of the funeral if desired.

Funerals probably rank among the most expensive purchases you will ever make. A traditional funeral including a modest casket currently costs about \$7,500. Extras such as flowers, obituary notices, and limousines can add thousands of dollars or more. If you do not communicate your wishes to your family they will face considerable uncertainty and perhaps be tempted or persuaded to spend more than you would want for your arrangements.

While most funeral providers are professionals who strive to meet their clients' needs and best interests, there are cases where families have been taken advantage of through inflated prices, overcharges and unnecessary services. Fortunately, there are laws to make it easier to select only those

services you need or want and to pay for only those you select. Provincial regulations require funeral directors to give you itemized prices in person or, if you request, over the phone. The funeral provider must show you descriptions of the caskets or outer burial container and the prices before actually showing you the caskets. Many funeral providers offer various packages of commonly selected goods and services that make up a funeral. However, when you arrange for a funeral you have the right to buy individual goods and services rather than a package that may include things you do not want.

Regulations:

- You have the right to choose the funeral goods and services you want (with some exceptions).
- The funeral provider must state this right in writing on a general price list.
- If provincial or local law requires you to buy any particular item, the funeral provider must disclose it on the price list, referencing the particular law.
- The funeral provider may not refuse, or charge a fee, to handle a casket you bought elsewhere.
- A funeral provider that offers cremations must make available a choice of containers for the ashes.

Advanced Planning

You should consider a funeral plan to help relieve your family from some of the above decisions.

This plan should be thought of as an extension of your Will and estate plan. Consultation with a Funeral Director, and if you wish a religious service, representatives of your faith community will ensure your wishes are known. Planning now will save your family considerable stress and possible conflict at a time when they will be most vulnerable. The time between a death and the funeral is not a good time to be negotiating costly items and locating a funeral director who is both reasonable and kind.

Pre-payment

It is possible to enter into a contract with a funeral provider to pre-pay your funeral expenses at today's costs and avoid the effects of inflation. The payment can be made by a lump sum or installments. The funeral provider holds this money under a legal trust arrangement governed by regulations under the federal Cemetery and Funeral Services Act and can not access the funds until your death. These funds are protected from legal judgments against the provider or their insolvency. If the funeral home is no longer in business upon your death, the trust funds may be assigned to another funeral home.

It is important to let your family know of these arrangements (and where to find any documents) so when the time comes they do not proceed with arrangements with another provider.

I am only one; but still I am one. I cannot do everything, but still I can do something;
I will not refuse to do the something I can do."

~ Helen Keller

Financial Assistance

Funerals are not expensive when compared with other major life cycle events such as weddings. Wedding costs can be several times the expense of a funeral but because it is a happy event wedding costs are rarely criticized.

A funeral home is a 24 hour labour intensive business with extensive facilities (viewing rooms, chapel, limousines, hearses, etc.) These expenses must be factored into the cost. The cost of a funeral also includes merchandise such as caskets, as well as the services of a funeral director coordinating arrangements, filing forms, and dealing with doctors, clergy, florists, newspapers and others.

There are some possible sources of assistance to cover the costs of a funeral.

1. Canada Pension Benefit

If the deceased qualified by having an adequate wage earning record, certain death, funeral and survivor benefits may be available.

2. Union or Employer benefits

These funds sometimes help to defray funeral costs. They may also allow a pension to the survivor.

3. Insurance

Life, health and accident policies should be examined for benefits. Sometimes, medical benefits from automobile insurance policies can be applied to funeral expenses.

4. Fraternal Orders or Professional Groups

Funds may be available to you.

5. Worker's Compensation

Certain benefits may be available if the cause of death is related to the deceased's employment.

6. Veterans Affairs Canada

If you are a recipient of a War Disability Pension or War Veteran's Allowance you may

be eligible for a funeral grant. If you are not eligible for a grant and your family or estate is unable to pay for the funeral an application may be made for a Last Post Burial. This should be discussed with the Funeral Director.

The Last Post Fund Corporation (LPF) has been mandated to deliver a financial assistance program on behalf of Veteran's Affairs Canada (VAC). The LPF is a non-profit organization which is closely associated with VAC and will provide, as far as possible, an honourable funeral and burial, including a military style grave marker to eligible ex-service persons.

Memorials

Today many people encourage memorial donations in lieu of flowers. This is an opportunity for family and friends to support worthwhile charitable work important to you while expressing sympathy for your family. Most charities, including the QEII Foundation, are pleased to accept these donations and will notify your family that a donation has been made. Don't forget to include a mailing address in the announcement.

Conclusion

You may be tempted to encourage your family to forego a formal funeral, perhaps in the hope that this will save them grief and expense. Certainly cost is a factor. But don't forget that a funeral is as much an event for survivors as it is for the one who has died. A funeral can be a time of remembrance and sharing, and provides survivors an opportunity to receive much needed expressions of support from family and friends.

Through the pre-planning of your funeral you have the ability to ensure that it will be a time of comfort to those you leave behind, and a reflection of your life and values.

Charitable Giving

The impulse to help others is an enduring human quality. This same perspective should influence the financial and estate plans that will serve you through the rest of your life. Indeed, you can look at your planning as a time to consider how your assets should be used both now and after your death in ways that will reflect your values.

Gifts may be arranged to provide immediate support for the charitable work that is important to you. Or a gift may be created to be available sometime in the future. There are many ways to arrange a gift to meet your needs and those of your family, yet speak of your values. Each method offers unique tax advantages. Therefore, you are encouraged to consult with a trusted advisor before finalizing your plans. The QEII Foundation Gift Planning Advisor, working with your own professional advisor, can help you decide which strategy is best for you and your family.

Charitable Tax Credit

Individuals making charitable gifts receive a combined federal and provincial tax credit. The amount of the credit directly reduces the amount of income tax you owe. Currently, cumulative gifts during the year up to \$200 earn a credit at the lowest marginal tax rate. Gifts over \$200 receive a tax credit at the highest marginal tax rate, regardless of the donor's personal tax bracket. At the time of printing the combined tax credit is 50% in Nova Scotia and slightly less in New Brunswick and Prince Edward Island.

You may claim charitable gifts up to 75% of your net income. For gifts of capital property this limit is increased by 25% of any capital gain triggered

by the gift. Credits that you don't use in one year may be carried forward for up to five additional years. For gifts in the year of death the donation limit is 100% of net income with any remaining credits carried back one year, again to 100% of net income in that year.

Gifts for the Present

1. Cash

An outright gift of cash may be used now to support health care at the QEII, other favourite charity, or perhaps to establish an endowed (permanent) fund for a specific purpose.

Example

Beatrice Johnston writes a cheque for \$1,000 to the QEII Foundation, but the net cost of the gift to her is only \$500 (assuming a 50% tax rate, and that she also makes \$200 in charitable donations elsewhere), because her donation receipt for \$1,000 reduces her income taxes for that year by \$500.

2. Property

You may donate real and other property. With some exceptions, one-half of any gain in value from when you originally acquired the property must be included in your taxable income. Your tax receipt will be based on an authorized appraisal of the current value of the property.

3. Publicly-Listed Securities

Securities such as stocks and mutual funds listed on approved exchanges may be used to fund a gift. If such instruments are donated directly to the charity, rather than being sold and the cash donated, none of the capital gain is included in your taxable income. As the tax receipt is based on the market value of the donated security this type of gift can be better than cash from a tax perspective.

The QEII Foundation office will be happy to assist you and your broker with a transfer of securities.

Example

Henry Barteaux donates listed stock valued at \$50,000 that he purchased years ago for \$10,000. His capital gain is \$40,000, but because he is donating them directly none of the gain is taxable. His contribution results in a tax credit of \$25,000. Henry has saved the tax on the gain of his stock and his \$50,000 gift has cost him only \$25,000 (assuming a 50% rate).

Suppose Henry had sold the stock instead of contributing it. The taxable portion of the gain would have been \$20,000 (50% x \$40,000), and the tax on this gain would have been \$10,000 (50% x \$20,000). His after-tax sale proceeds would have been \$40,000.

Capital Loss — Perhaps your stock has lost value due to a market downturn. By donating the stock now you still receive a tax receipt for the full market value. In addition, you may carry back the loss for up to three years to offset any taxable gains that you claimed during that time. You also may carry forward the loss indefinitely to offset gains you may claim in the future.

4. Annuity Gift

A life annuity is an arrangement in which you transfer a cash asset to an insurance company and in return receive guaranteed payments for life. The amount of these payments depends on your age and the size of your contribution, but they likely will be significantly higher than you are receiving from your present fixed income investments, and the annuity arrangement is guaranteed. It will continue as long as you live, no matter what happens to the economy or interest rates. If you are married, you may choose a joint-and-survivorship annuity which continues as long as you or your spouse lives.

By using a portion of your funds (e.g. 70 to 80%) to purchase the annuity and using the remainder to donate directly to the QEII Foundation, you will increase your after-tax income and support a worthwhile cause.

Your gift annuity arrangement brings you a special bonus at tax time: all or a sizeable portion of your payments will be tax-free. You also will receive a one-time income tax receipt from the donation portion that will result in a tax credit.

Annuity gifts generally work best for those aged 70 or over.

"When you were born, you cried and the world rejoiced. Live your life in such a manner that when you die, the world cries and you rejoice."

~ Old Native American Saying

Examples (Actual rates will vary)

Wendell Conrad, age 74, has \$25,000 in maturing GIC's. He purchases an annuity with \$17,500 and receives \$1,950 (7.8 percent) per year for life, of which 79% is paid out tax-free. He donates the remaining \$7,500 to the QEII Foundation and receives an immediate donation receipt of \$7,500.

Clayton and Maise Bollivar, both aged 85, have \$50,000 and use \$35,000 to purchase an annuity. They receive a lifetime payment of \$4,250 (8.5 percent) per year – 100% of which is paid out tax free. They contribute the remaining \$15,000 for which they receive an immediate donation receipt.

Gifts for the Future

1. Bequest

Your Will is the cornerstone of your estate plan. Through your Will you direct the distribution of your estate, name the person(s) to act as your legal representative after your death, and ensure those people and causes that have been important to you during your life are supported in the future. If you die without a Will your estate will be distributed according to provincial legislation and not according to your wishes.

One of the most loving and enduring ways of sharing is by creating a charitable bequest through your Will. Instead of a fixed dollar amount you may want to consider a gift of a percentage of the residue (the amount leftover after specific bequests and expenses are paid) of your estate. Please see page 28 for more information.

2. Life Insurance

When you purchase a life insurance policy, and make a charity both the beneficiary and owner, you will receive a tax receipt for the annual premiums paid. In this way you are able to make a substantial future gift at a considerably reduced after-tax cost.

Existing policies may be assigned to a charity. You will receive a tax receipt for any cash value in the policy. While there may be a taxable gain to be reported as regular income in this case, the resulting tax credit could be greater than any income tax triggered by the donation. In some cases it may be possible to receive a tax receipt for the fair market value of the policy as determined by an actuary (less any policy loans outstanding).

A charity may be named a beneficiary of a policy without transfer of ownership. In this case an immediate tax receipt is not issued, but your estate will receive a tax receipt when the policy is paid upon your death. The receipt will produce a tax credit for your final tax return.

A life insurance policy naming a charity as beneficiary is processed outside of your estate and therefore, is not subject to probate fees or challenges to your Will. Please see page 5 for more information.

3. Insured Annuity

As outlined above an annuity can allow you to substantially increase your after-tax cash flow. By purchasing an annuity and combining it with a life insurance policy assigned to a charity, you can arrange a very tax efficient, future gift. The annuity provides the annual cash flow to pay the life insurance premiums. Because the charity owns the policy, the premiums are considered a charitable gift and a tax receipt is issued by the charity. The resulting tax credit reduces the after-tax cost of the policy. The charity receives the death benefit. Often the annuity payments substantially exceed the cost of the insurance policy. You could retain the excess for other expenses or purchase another policy to pay to your estate, or perhaps to a family member.

Example:

Dawson Dauphinee, age 73, uses \$100,000 he currently has invested in GIC's at 3% to purchase an annuity. He also arranges a \$100,000 life insurance policy that he assigns to the QEII Foundation.

Capital used to purchase annuity	\$100,000.00
Monthly annuity payment	\$750.00
<u>Less:</u> income tax on taxable portion of annuity payment (\$50 x 50%)	<u>25.00</u>
Net monthly annuity payment	725.00
<u>Less:</u> cost of \$100,000 insurance policy	<u>327.00</u>
Monthly net income after insurance cost	398.00
<u>Plus:</u> tax credit for insurance premiums (\$327 x 50%)	<u>163.50</u>
Monthly after-tax annuity payment	\$561.50

Dawson has substantially increased his after-tax cash flow and arranged a \$100,000 future gift of life insurance.

4. Registered Retirement Income Fund (RRIF)

Tax sheltered plans such as RRIF's offer some creative approaches to charitable giving.

On your death about half of your plan, with a few exceptions including a spousal roll-over, will be given to the government through taxes for social spending. You could say that your designated heirs and Canada Revenue Agency will share your plan assets equally! The alternative is to direct the social spending yourself by designating a charitable recipient of the proceeds of your RRIF.

By naming a charity as beneficiary of your plan you will not only be supporting a worthy cause but the entire proceeds of the fund will be available to the charity with no net tax cost to your estate. This is because the tax credit your estate receives for the donation will offset the income tax payable on the withdrawal.

Here's how it works.

Balance in RRIF	\$100,000
Amount of charitable gift	\$100,000
Amount of plan included in taxable income	\$100,000
Income tax payable (assuming 50% marginal tax rate)	\$ 50,000
Tax credit for donation	\$ 50,000
Net tax payable	\$ 0

Of course, you may want a portion of the plan's value to go to family members. In this case a portion of the value could be donated to charity. While the remaining portion paid to family members will be subject to tax, the amount paid to charity will produce a tax credit offsetting taxes owing on that portion. Or you may direct the balance of your plan to charity and arrange gifts of other non-taxable assets, such as GIC's, for your heirs.

5. Charitable Remainder Trust

A Charitable Remainder Trust is a deferred giving arrangement where assets are transferred to a legal trust. The trust document directs that the annual income generated by the trust is to be paid to you during your lifetime, and upon death a charity will receive the principal (remainder) of the trust.

Some charitable gifts allow you to arrange a life-time income for you and your spouse in exchange for the donation of the capital. Using an orchard analogy, you give away the tree but keep the fruit!

If the terms of the trust don't allow you to access any part of the principal, an immediate tax receipt is issued for the calculated present value of the future gift (i.e. the remainder interest of the trust).

A similar trust called a Testamentary Trust may be set up under your Will, perhaps to benefit your spouse during their lifetime, with the remainder ultimately paid to a charity.

Example:

At age 70 Martin Westhaver, a widower, wants to establish an endowed fund for cardiac research in memory of his late wife. He cannot afford to give up any of his investment income. So he transfers assets worth \$250,000 to a Charitable Remainder Trust. His net income from this trust will be approximately \$15,000 per year for his lifetime. When he funds the trust, he receives a donation receipt for \$120,675 (representing the present value of the future remainder interest in the trust). Assuming a 50% tax credit this will translate into tax savings of \$60,337.50. After his death, the remaining trust principal will be used to create the permanent endowment.

6. Residual Interest

You may transfer ownership of an asset such as your cottage to a charity and retain the right to use the property during your lifetime. A receipt for the "calculated present value" of the gift is provided at the time of ownership transfer, and upon your death possession of the property is given to the charity.

Please Note

The information and examples presented here are based on income tax rates and laws current at the time of printing. However, these will change over time. You are strongly urged to consult with professional advisors to ensure your gift plan is appropriate for your circumstances.

"To laugh often and much, to win the respect of intelligent people and the affection of children, to earn the appreciation of honest critics and endure the betrayal of false friends, to appreciate beauty, to find the best in others, to leave the world a bit better, whether by a healthy child, a garden patch, or a redeemed social condition, to know even one life has breathed easier because you have lived, THIS is to have succeeded."

~ Ralph Waldo Emerson

Bequests

One thing that sets us, as human beings, apart from our fellow creatures is the way we consciously control and shape the world around us. We don't wait for fruit to fall from trees before we eat it. We plant the trees, harvest the fruit, improve the stock to develop better fruit, and develop more productive orchards.

Communities, like orchards, must be nurtured. We have to plant seeds and wait for results. We have to prune and shape. And we naturally want to share with others the fruits of our labours. We want to help family and friends, but often we also want to give part of what we have for the benefit of others and society in general.

The Government of Canada encourages charitable giving with numerous tax incentives. For more information, we invite you to contact the QEII Foundation office. We also encourage you to consult your own financial and legal advisor for a full discussion of the tax implications of charitable gifts as they apply to your situation.

Many people who would like to make a substantial charitable gift cannot afford to part with their assets during their lifetimes. The drawing of a Will and directing a portion of one's estate to charity is the most common type of future gift. That is because a bequest is revocable: your Will may be changed at any time, should your circumstances require it.

Through these gifts we go where we cannot travel;
witness where our voices cannot be heard;
speak languages never learned and love those
whom we have never seen.

~ C. William Nicholson

Giving through your Will

Making a Will need not be complicated, and it should be done with proper legal assistance. Providing for a charitable gift in your will can be accomplished easily. Here are some examples of various forms of bequests, with appropriate wording:

1. A general bequest designates a certain dollar amount of property, usually cash, to the charity you select: 'I give to (the QEII Health Sciences Centre Foundation) the sum of \$10,000 to be used for its general purposes at the discretion of the Board of Directors.'
2. A specific bequest directs that the charity is to receive specific property:
'I give to (the QEII Health Sciences Centre Foundation) 500 shares of XYZ stock...'
3. A residual bequest designates for the charity all or a portion of whatever remains after all debts, taxes, expenses and other bequests have been paid: 'I give to (the QEII Health Sciences Centre Foundation) fifty percent (50%) of the rest, residue and remainder of my estate...'
4. A contingent bequest takes effect only under certain conditions: 'In the event that my wife does not survive me, I give to (the QEII Health Sciences Centre Foundation) the sum of...'

In addition to choosing the form of a bequest, you also have choices as to the purpose for which your gift will be used. Most bequests to charitable organizations are undesignated, supporting

general purposes. But you may choose to direct your bequest to support a particular program or project. If you wish to designate your bequest you should speak with representatives of the charity to ensure the designation can be honoured.

You may choose to ‘endow’ or restrict your gift to the use of the annual investment return only and you could choose to designate the investment return for a particular purpose, as above. It also may be possible, subject to the policies of the charity, to establish a named fund in your own name, or perhaps as a memorial to a family member, friend, or colleague.

If you are planning a bequest, it is important to confer in advance with a representative of the charity included in your Will to be sure that your wishes can be met and that your bequest provision is properly worded. Once you have completed your Will, you should provide each beneficiary organization with a copy of the clause pertaining to your bequest. Your intention will be kept confidential, if you wish.

Power to Vary Clause

If your bequest is to be designated for a particular purpose it is strongly recommended that you ask your lawyer to include a Power to Vary clause. Sometimes well-meaning donors designate gifts for purposes that, over time, are no longer relevant and now the gift can not be used. To change this designation the charity must ask the courts for permission, which can be costly. The Power to Vary clause will allow the charity in the future to continue to use your gift to support its work in the event the original purpose is no longer possible.

Sample Wording

‘If circumstances should, at some time, make it impossible, inadvisable, or impractical to use this gift for the designated purpose, then [insert legal

name of the charity] may, in its discretion, use the investment return from this fund in such a manner as it may deem to be to the best advantage of [insert legal name of the charity] while adhering as closely as possible to my original intent.’

Tax Implications of a Charitable Bequest

When you make a bequest to a charity, your estate is entitled to a charitable tax receipt for the full value of the bequest. This can significantly reduce the income tax payable when your final tax return is filed. The total amount that may be claimed in the year of death is 100% of your net income. Excess donations may be carried back to the preceding year, for 100% of net income in that year.

Example:

In his Will Clarence, a widower, leaves \$100,000 to the QEII Health Sciences Centre Foundation and the remainder of his estate to his two children. Assuming the net income on his final income tax return is large enough for the entire bequest to be claimed for a charitable tax credit, the bequest may result in a combined federal and provincial tax savings of approximately \$50,000. If he had left the \$100,000 to his children, income tax could have consumed that part of it, leaving them with \$50,000.

You should consider giving your Personal Representative (executor) the discretion to choose the particular assets that fulfill the charitable bequest. For example, if your executor is authorized to select publicly-listed securities to pay the charitable bequest none of the gain in the securities will be subject to income tax.

Many individuals gain peace of mind and satisfaction in knowing they have provided, not only for their immediate families, but for the charitable organizations that enriched their lives and those of others.

Final Arrangements

A Letter Regarding My Final Arrangements

To Whoever Takes the Responsibility for My Final Arrangements

I have given thought to my personal wishes about my final arrangements with the hope that by making these wishes known, it will minimize the emotional strain on my survivors.

While I feel my loved ones would appreciate knowing my wishes to help them make decisions, I do not want to impose anything on them. Therefore, unless I have made special mention, I encourage them to ensure my funeral and other arrangements are done in a way that is meaningful to them.

Although these wishes may not be legally binding, I trust they will help my survivors avoid confusion, extra expense, or at the least any self-reproach that might arise because of doubts, omissions, or commissions.

I also have assembled much of the financial and other information that will be needed at the time of my death. I hope this will lighten the task at this emotional and difficult time.

Thank you to all on whom the responsibility of making these arrangements has fallen.

Signature _____

name _____

address _____

_____ PC _____

Date _____

Instructions & Directions List

For My Family and Friends

Final Directions and Instructions upon the Death of:

Full Name: _____

Address: _____

_____ Postal Code _____

Birth Date: _____

Place of Birth: _____

Baptism Date: _____

Spouse / Partner's Name : _____

Address: _____

_____ Postal Code _____

Birth Date: _____

Place of Birth: _____

Date of death (if applicable): _____

My Church Affiliation: _____

Name of Home Church: _____

Address: _____

_____ Postal Code _____

Parents

Father's Full Name: _____

Birth Date/Place: _____

Living? YES NO

Mother's Full Name: _____

Birth Date/Place: _____

Living? YES NO

File this information in a secure place, but also one where it will be found easily upon your death. It is suggested that you also file this with your lawyer, and notify your heirs that the form has been completed, for their information.

Contact Information for Family

Location of Address Book _____

Names, addresses, and phone numbers of living parents, brothers and sisters:

1. _____ ph _____
address _____
2. _____ ph _____
address _____
3. _____ ph _____
address _____
4. _____ ph _____
address _____
5. _____ ph _____
address _____
6. _____ ph _____
address _____

Addresses

We recommend keeping an up-to-date address and telephone book. This can be a big help in notifying others in times of emergency.

Names, addresses, and phone numbers of living children:

1. _____ ph _____
address _____
2. _____ ph _____
address _____
3. _____ ph _____
address _____
4. _____ ph _____
address _____
5. _____ ph _____
address _____

Names, addresses, and phone numbers of other persons to notify upon my death:

1. _____
2. _____
3. _____
4. _____
5. _____

Emergency Care

The following nearby person(s) has agreed to temporarily care for:

My Family: _____

Phone: _____

My Pets: _____

Phone: _____

Addresses _____

Employer

Name _____

Address _____

_____ Postal Code _____

Social Insurance Number: _____

Provincial Health Card Number: _____

Canadian Forces Service:

YES NO (Entitled to Veterans' Benefits: YES NO)

Service Branch Contact: _____

Phone: _____

Important Papers

To help avoid undue frustration in finding items needed in establishing rights to insurance, pensions, ownership, relationship, etc., note the location of these and any other important documents.

My Lawyer: _____

Address _____

ph _____

Last Will Executed on: _____ (date)

Will is located at _____

Executor(s) (Names / Addresses):

1. _____

2. _____

Powers of Attorney for Property & for Personal Care (Names / Addresses):

1. _____

2. _____

**Bank Accounts/Savings Institution Accounts/
Other Income-Producing Accounts:**

Name of Institution / Type / Account Number

1. _____

2. _____

3. _____

4. _____

Joint Accounts:

Name of Institution / Type / Account Number

- 1. _____

- 2. _____

- 3. _____

- 4. _____

Safe Deposit Box Number & Location: _____

Location of Safe Deposit Box Key: _____

Other Key Holders: _____

Key Advisors (Names/Address or phone)

Clergy: _____

Accountant: _____

Financial / Investment / Estate Advisor: _____

Insurance broker: _____

Life Insurance

Life Insurance Co. / Amount / Certificate # / Beneficiary

- 1. _____

- 2. _____

- 3. _____

RRSP's, RRIF's, Pensions

Company / Account # / Beneficiary

- 1. _____

- 2. _____

- 3. _____

Credit and Charge Accounts

Company / Account #

- 1. _____

- 2. _____

- 3. _____

- 4. _____

- 5. _____

Organizations and Affiliations

Organizations / Associations / Societies / Unions/Lodges / Professional Associations, etc...

(Include past/present office or position, and indicate if organization is to be notified).

Organization

- | | | |
|------------------|----|-------|
| Notify: Yes / No | 1. | _____ |
| Yes / No | 2. | _____ |
| Yes / No | 3. | _____ |
| Yes / No | 4. | _____ |
| Yes / No | 5. | _____ |

Personal Effects

Below is a list of personal effects (e.g. clothes, jewellery, paintings, etc.) and my wishes on how I would like them distributed, unless otherwise specified in my Will.

(Note: This list expresses my preferences, but is not a Will and has no legal standing.)

An additional page of Personal Effects is attached: YES NO

Important Papers

The following documents can be found at the locations indicated below:

H = Home (location described)

O = Office (location described)

D = Safe Deposit Box (bank location)

P = other person or place (name)

L = Lawyer (name)

_____ Marriage License

_____ Survivor's Pension Information

_____ Citizenship Papers /Passport

_____ Stocks

_____ Bill of Sale for car/title, reg.

_____ Will

_____ Bank Books /Interac Card(s)

_____ Insurance Policies

_____ Deeds to Property

_____ Representation Agreement

_____ Income Tax Returns

_____ Power of Attorney

_____ Receipts/Cancelled Cheques

_____ Automobile Information

_____ Military Discharge Papers

_____ Passwords for Computer and/or Banking Cards

_____ Legal Proof of Age/Birth Certificate

Resources

Wills, Powers of Attorney, Medical Directives (Living Wills)

Nova Scotia

Legal Information Society
5523B Young St, Halifax, NS B3K 1Z7
ph: (902) 454-2198
www.legalinfo.org

Prince Edward Island

Community Legal Information Association of PEI
PO Box 1207, 1st Floor, Sullivan Bldg,
Fitzroy St, Charlottetown, PE C1A 7M8
ph: (902) 892-0853 or 1-800-240-9798
www.cliapei.ca

New Brunswick

Public Legal Education & Information
Service of New Brunswick
PO Box 6000, Fredericton
New Brunswick E3B 5H1
ph: (506) 453-5369
www.legal-info-legale.nb.ca/

Veterans Affairs Canada

ph: 1-866-522-2122
www.vac-acc.gc.ca/general/

Regional Office

Dartmouth

Alderney Gate, 40 Alderney Dr
Dartmouth, NS B2Y 2N5

District Offices

Halifax

Chebucto Place, 7105 Chebucto Rd,
Suite 200 PO Box 8063, Halifax, NS B3K 5L8

Sydney

308 George St, Sydney, NS B1P 1J8

Saint John

Customs Building
189 Prince William St, 5th Floor
Saint John, NB E2L 2B9

Campbellton

157 Water St
5th Floor, Room 501
Campbellton, NB E3N 3L4

Charlottetown

1st Floor, Jean Canfield Govt. of Canada Building
191 University Avenue, Internal Box 13
Charlottetown, PE C1A 4L2

Canada Pension

www.canada.gc.ca
Toll-Free: 1-800-277-9914

Organ Donation

Nova Scotia

MSI Registration Department
ph: (902) 496-7008 or 1-800-563-8880
www.gov.ns.ca (search for "donate organs")

Prince Edward Island

Island Information Service
PO Box 2000, Charlottetown, PE C1A 7N8
ph: (902) 368-4000
e-mail: island@gov.pe.ca www.gov.pe.ca
(search for "donate organs")

New Brunswick

Organ and Tissue Procurement Program
Dept. of Health
Hospital Services Branch
PO Box 5100, Fredericton, NB E3B 5G8
ph: (506) 643-6848 or 1-888-762-8600
www.gnb.ca (search for "organ donations")

Dalhousie University

Body Donation Program

Department of Anatomy and Neurobiology Faculty of
Medicine, Dalhousie University Sir Charles Tupper Build-
ing, Halifax, NS B3H 1X5
ph: (902) 494-6850
www.anatomy.dal.ca/donation/

QEII Health Sciences Centre Foundation

Charles O'Neil, EPC
Gift Planning Advisor
PO Box 9000, Halifax, NS B3K 6A3
(902) 473-7932
charles.o'neil@qe2foundation.ca
www.qe2foundation.ca

Notes

QEII FOUNDATION

EXCELLENCE • INNOVATION • LEADERSHIP

Centennial Building • 1276 South Park Street
Halifax, NS B3H 2Y9
(902) 473-7932
www.qe2foundation.ca