



## Leave more to your beneficiaries

It would seem only fair that the nest egg you spent your life building should pass on to your children without the government intervening. However, that would be too good to be true.

If you want to be sure you've done everything possible to minimize the amount of tax your estate or beneficiaries will pay after your death, your best bet is to visit your financial planner to work out all the details. Meanwhile, here are some highlights.

### **BE STRATEGIC**

The bad news is that when you die, the government considers everything you own to have been sold – which could result in a giant tax bill. The good news is that anything you leave to your spouse generally transfers tax-free; and there are strategies to reduce the tax on what you leave to everyone else.

That leaves you with some options, says Louise Guthrie, assistant vice-president, Tax and Regulatory Services, Manulife Investments.

You can sort your assets into two categories: those that will trigger a tax bill, and those that won't. Then leave the taxable assets to your spouse – because your spouse can inherit them on a tax-deferred basis – and leave the non-taxable assets to other beneficiaries of your choice.

“Some types of inheritances can bypass probate,” says Guthrie. “Any investment you buy through an insurance company will do this if you've named a beneficiary.” Some examples include segregated funds and life insurance. (Note: In Quebec, drafting a notarial will eliminates the delay of probate because these wills are deemed to be “authentic” and do not require additional procedures.)





## SHOULD YOU GIVE IT AWAY NOW?

If you thought you could outsmart the taxman by handing out your fortune ahead of time, think again, says Guthrie. "If you give your assets to an adult child, there are no tax consequences for the child, but you'll be deemed to have sold the assets, and might have to pay capital gains tax on them anyway."

But what if you just have large sums of money sitting around in your bank and want to give them out? Go ahead, says Guthrie, but don't fool yourself into thinking you're saving taxes. "In that case, since you hardly earn much interest on money that's just sitting in a bank account, there isn't much tax to be saved because there wouldn't have been much tax at death on it anyway."

Another effective way to save tax by distributing your assets is to give to charities while you're still alive, says Guthrie, because that way you get the maximum tax credits.

There's no magical way to avoid all taxes at death, but you can save substantial amounts by planning ahead and choosing your beneficiaries strategically.

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