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*ESTATE*PLANNING

While you're enjoying time with family, give some thought to providing for them in the years to come

Reflect and protect

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Every profession has a unique way of developing new business relationships, but it's usually a variation of "show and tell."

Accountants ask to see tax returns from previous years, architects display earlier projects, and cosmetic surgeons show images of well-sculpted patients.

As for life insurance advisors, we like to do a lot of "asking" – and sometimes the questions can seem a bit harsh. But that's the only way we can determine how you, your family and your business will cope financially under a variety of difficult scenarios: death, disability, retirement, and life in a nursing home.

We also review the structure of your investments to ensure you pay as little tax as possible during your lifetime and beyond.

Yes, these often disturbing topics make most people feel uncomfortable, but the results obtained after working together yield greater peace of mind for everyone involved, including you, your loved ones, and your business partners.

And as we search for the "ideal" solution for your particular situation, I always tell clients to keep certain issues in mind.

Demographics

First of all, we need to be aware that governments are not financially capable of taking care of the elderly in this country. That's not a political view – it's a math statement.

We baby boomers started turning 65 in 2011, and the numbers of elderly are growing every year. There are not enough young people coming up behind the boomers to sustain the older generation – and to put money into government coffers for their own generation.

The aging baby boomers will be downsizing into condos, living with their adult children, or moving into assisted-living facilities and nursing homes. That means a lot of real estate will be coming on the market, and boomers who had hoped to fetch a bundle of money for their homes may be disappointed.

We all know that modern medical science is astonishing. It now cures many illnesses and allows people to cope with their medical problems and chronic conditions for a longer period of time. All of that is miraculous, but the downside is that many people will outlive their money.

It's no longer safe for people to assume they will inherit a goodly sum from their parents – not when those same parents have to use the money themselves to pay for long-term health care and sustaining their lifestyle.

Then there's the question of who will look after all those elderly Canadians. Very few new hospitals are opening these days. In fact, many are closing their doors. One of the reasons for this is the lack of an adequate number of doctors and nurses. Did you know that Canada needs an additional 25,000 physicians just to get to the level of the other G8 nations?

To gauge the needs of new clients effectively, I must get an overall view of who they are and where they want to go. (Just so

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you know, I also review the status of my current clients on an ongoing basis to make sure the plans they had when we last talked still hold true today, or whether they need to change.)

Some of the questions I ask

☛ Do you have a will? It's a strange-but-true fact that 90 per cent of all wills are created when couples are going on a vacation and it suddenly dawns on them that they really should have something in writing just in case the worst scenario should happen. So they rush to get a will done, and then check it off their list.

But a properly crafted will requires the knowledge of a specialist, especially if there are family and/or business partners involved. (Also, you don't want to forget to include important information like a family trust.)

☛ Do you have a power of attorney? Studies have shown there is a five-times greater chance of getting sick before age 65 than dying; therefore, you need to have someone you trust in this position.

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In fact, you should have two powers of attorney: one for financial matters and another for personal care. Before assigning the responsibility, you really need to ask your candidates if they are prepared to assume those important roles when the time comes, because they can decline. That's why I always suggest naming two people as potential powers of attorney.

☛ Are your beneficiaries up to date? I have seen cases where people get divorced and simply forget to eliminate their ex-spouse as a beneficiary. Is this really what you want to do?

Maybe you wrote up your will years ago when your children were tots, but now that they are thriving adults out on their own and making a good living, you would like to cut back on what you're leaving them and pump up the "extra" for your aging spouse who may require funds for long-term care.

☛ Have you thought about how to reduce taxes? One way you can do this is by putting property, investments and bank accounts in joint name, mainly to avoid probate taxes and all the hassle that entails.

In Ontario, there is an Estate Administrative Tax of 1.5 per cent of all assets over $50,000. Having everything in joint name is a simple and effective way to eliminate this tax.

☛ Have you reviewed your life insurance lately? Life insurance is a great product because it bypasses wills and probate, with funds going directly to the beneficiary with no taxes involved.

If you have assets that you want distributed after you die, Canada Revenue Agency will take anywhere from 23 per cent to 47 per cent of the value of those assets upon the second death (of your spouse or partner).

If you are considerate enough to buy life insurance, you should also ensure that you are leaving a sufficient amount to pay off your debts and provide a monthly income that can maintain your family's lifestyle.

☛ What happens if you get sick? There's a forest of insurance products out there, depending on your need, age and family medical history. These include critical illness insurance, long-term disability insurance, long-term care insurance, and any U.S. health care insurance (if you are a snowbird).

☛ Do you have health benefits? This can be group insurance if you work for a company, or your own health benefits. Does your company (or your spouse's) have a health-spending account? This is a fund of benefit credits that you can use for medical and dental expenses beyond the company's coverage for items like eyeglasses, orthodontics, massages and (sometimes) even gym memberships. Check the fine print because the credits included in your policy often have a time limit.

☛ Does someone know where everything is? Everyone needs a completed estate directory – a guide to where all your key documents are kept, like your will, your Powers of Attorney, the key to your safety deposit box and all your digital passwords for everything you use electronically.

If you don't have one, please visit my website *www.illnessprotection.com* and use the free, writeable pdf for just this purpose.

Use a trusted advisor

Access to money, and how we use it, becomes more important as we age. Despite the vital issues outlined above and the need for personal discussions with a competent professional, many people these days take the quick and easy route by going online.

It may (or may not) be the cheapest avenue, but doing it online certainly misses a lot of crucial information that should actually be customized for their particular situation. Buying online works great for shopping and hotel bookings, but should be avoided for estate planning.

Valuable and reliable information is available only from an experienced, accredited, knowledgeable and licensed advisor who can provide you with the facts and figures required to make an informed decision.

Seek an advisor who is a Certified Financial Planner with a tax- and estate-planning background to help you achieve your objectives. Do this, and you can enjoy your holiday time with family and loves ones, appreciate all you have achieved, and reflect on what you want to protect.

Nothing can replace the peace of mind from knowing that your affairs are well-organized for future, no matter what lies ahead. ❒