

The Achievable Mission

Doing Nothing Will Cost Your Estate

By Greta Luimes, CFP

It used to be all about protecting his family – making sure a guardian had been named and that there would be enough money to raise the children well in the event of a tragedy. They had been taught that having a current Will with all these details included was essential! But now that the children were grown and his wife Ella had passed away some months ago, he wasn't sure what a new Will should look like.

He had heard from others his age that his estate could actually hold a big tax bill. Some had said that an entire estate could be wiped out by the taxes that come due when someone dies. He knew that the bank accounts and investments he had shared with Ella were all in his name now, and he hadn't needed to pay any taxes when she died. But what would happen when he passed away? Would there be anything left for his children and for the ministries that had become such a rich part of his life now?

It was time to become familiar with his options. He would go back to his financial advisor to have a chat.

Once he had laid out his concerns, his advisor affirmed that Estate Planning needed to be discussed because his life situation had changed so significantly. When they laid out his entire financial landscape and added up all his assets, he was surprised at the bottom-line number. When the values of his home, life insurance policies, RRSP's and RRIF's, and investment accounts were tabulated, it didn't take long to get to a few hundred thousand dollars. But, they also determined that he did have a tax liability on his estate.

His advisor opened up the white board while he positioned himself to listen carefully. Who could have imagined that he, a man of relatively modest means, would actually be discussing Estate Planning with a financial professional? The words of his advisor rang in his ears, *“Doing nothing will cost your estate plenty; doing some simple planning can benefit so many.”*

He began to understand that his current lack of planning meant that at his death, about 50% of the value of his RRSP and RRIF could be lost to taxes because their entire value would be treated as income in the year of his death. The capital gains on the few stocks he owned would also cost his estate money.

As he became more and more uncomfortable with the thought of so much money being funneled into government coffers, his advisor carefully laid out some options:

- Naming a charity as the beneficiary of his RRSP and RRIF could offer his Estate a donation receipt that would wipe out the taxes owed.
- Donating stocks directly to charity either while he lived or through his Will would ensure the capital gains were eliminated.
- Changing the beneficiary on the small life insurance policy he had owned for so long to charity would allow him to claim the premiums as donations while he lived or would offer a donation receipt for the whole death benefit when he died.
- Leaving a percentage of his Estate to charity in his Will would provide a legacy that would reflect the way he now lived, giving both his time and his resources happily and regularly.

He decided that his planning would serve to eliminate any taxation on his estate and would still leave his children with an inheritance that would help them out while the charities and ministries he chose would also receive generous support.

He was grateful that it wasn't too late to put some new Estate plans in place. He had a Will drawn up with the lawyer his advisor had recommended. He also made sure his children were completely on board with his decisions. He had taken all the action needed to make sure his plans were solidly in place.

The responsibility to steward the resources God has blessed us with is equally borne by all believers. Will the legacy you leave reflect the life you lived?

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