Joan's notes

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N.S. Probate Taxes

(Fiscal year 2011-2012)

For estates	
Not exceeding $10,000.	$ 78.54
$10,001. - $25,000.	$197.48
$25,001. - $50,000.	$328.65
$50,001. - $100,000.	$920.07
Exceeding $100,000.	$920.07+$15.53

for every $1,000 or fraction thereof

Example:	
$250,000.	$3,249.57
$300,000.	$4,026.07
$500,000.	$7,132.07

There may also be sundry administration fees. Go to the "What to do when someone dies" link on my website to obtain a checklist of requirements and timelines for dealing with an estate.

❖

Reminder

Remember to convert your RRSP to a RRIF and / or annuity by December 31, 2011 if you will be 71 years old this year.

Investing with a safety net

Would you like to reduce or eliminate probate fees? Have investments with potentially higher returns than GICs (Guaranteed Investment Certificates), but with some guarantees? Well, life insurance savings products might be for you.

Life insurance companies offer savings contracts (daily savings interest, term funds, and segregated funds) and you can designate beneficiaries, not only for your RRSP / RRIF / TFSA, but also for your non-registered investments. The depositor protection on insurance contracts is similar to that offered by banks and other financial institutions.

Insurance savings contracts have some unique features and are excellent estate-planning tools:

1. Beneficiaries can be designated for non-registered investments—you retain ownership/control of your investments. This reduces the temptation to add someone other than your spouse to your investments in order to avoid probate.
2. Contracts may be joint with right of survivorship—then payable to beneficiaries following the survivor's death.

Investing with a safety net*...*continued

3. There is no need to probate the estate—funds are paid directly to beneficiaries.
4. There are no delays—simply provide the insurance company with a claim form together with a death certificate.
5. You maintain privacy—insurance savings contracts do not become public record like probated wills.
6. Insurance contracts with preferred beneficiaries (spouse, common-law spouse, parent, child or grandchild) may be protected against creditors.

Insurance savings contracts offer a number of investment products—some with some distinctive benefits.

I. **Daily Interest Savings**—interest is usually compounded monthly with funds available any time.

II. **Term Fund**—similar to a GIC, where you invest a specific amount for a predetermined period of time (from a 30-day term to a 10-year term, and redeemable or non-redeemable) at a fixed interest rate. Interest could be paid to you on a regular basis, or it could compound (interest stays in the contract and you earn interest on interest). You know at the time of investing when your investment will mature and the maturity value.

III. **Segregated Funds**—often referred to as "seg funds," so named because the investments are "segregated" (not included in the insurance company's general assets). They are professionally managed pooled investments. The pool is divided into units, and you purchase units. The value of the units fluctuates as the value of the underlying securities fluctuates.

Seg funds have some distinctive benefits:

→ You have an array of investment portfolios to choose from.
→ Your income tax reporting is simplified.
→ Your risk tolerance may increase because of guaranteed minimum values at maturity or death.

Seg funds have guaranteed minimum values at maturity or at death of at least 75% of your investment (less withdrawals, of course). You can establish a maturity date—which must be at least ten years in the future. Some insurance companies have guarantees of up to 100%, and some even allow you to lock in the growth of your fund by "resetting" the guaranteed minimum value. The cost of these guarantees is often reflected in higher MERs (Management Expense Ratios), an increase in the range from .20% to 1.00%. However, at the end of the day, it is the growth of your investment in relation to your risk comfort level that matters.

I recommend that you work with a financial advisor before investing.

Disclaimer: Investors should read the fund's Information Folder before investing. Segregated funds value changes frequently and past performance may not be repeated, although they have guaranteed minimum values at maturity or death. This article is for general information only and is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting, or tax advice. Please consult an appropriate professional regarding your particular circumstances.