Get your estate in order before it's too late

It's not easy to think about what might happen to your money after you're gone, but you do need to create an estate plan sooner than later. Here's why.

If there's one thing Canadians like to avoid, it's estate planning. It's not hard to understand why: fairly divvying up assets among loved ones is challenging; there are myriad of tax and legal hurdles that must be considered; and, let's face it, it's no fun confronting your mortality. So, perhaps it's not surprising that 51% of Canadian adults do not have a will, according to a 2018 Angus Reid poll.

Estate planning, though, can't be done at the last minute. It's too complex and may require multiple meetings with advisors, lawyers, discussions with family, and the implementation of financial strategies that can only be put in place well before you're into old age.

If you're thinking of holding off on creating an estate plan, then think again. Here are six reasons why it's better to create one sooner rather than later.

1. To offer more flexibility

Some estate planning options, such as using life insurance to provide tax-free funds to your heirs, may be more financially advantageous to set up while you're still young. Life insurance premiums, for instance, are more expensive at age 65 (assuming you can even qualify for coverage by that point) than when you're in your 30s. By organizing your estate as early as possible, you won't be limiting yourself in terms of approaches you can take to best look after your loved ones.

2. To prevent family feuds

Planning early gives you plenty of time to discuss your wishes with your family members. It's important to have these talks where you explain the thinking behind your decisions, as they can prevent misunderstandings and potential arguments after you pass away. For example, one child may be expecting to get the family cottage and will no doubt be upset when they find out you've given it to their sibling. If you indicate your wishes in advance, you'll spare them a lot of confusion and hurt feelings later on. These conversations should be a two-way street: your children may share their opinions about the family business or an heirloom, which could change your estate plans.

3. So you won't be a burden

Most estate plans name a financial power of attorney, which is a person, often a family member, who you've allowed to look after your finances in the event you become incapacitated. If you wait until the last minute to create a plan, you may name someone in haste—if you name anyone at all. Without a power of attorney, your family may have trouble accessing your money or other assets. That could leave them in the unfortunate position of having to scramble to find financing for your care and put your investments at risk if they end up unmanaged for a period of time.

4. To keep assets out of the wrong hands

Dying "intestate"—without a will—means: the courts will decide who gets what, distribution to the beneficiaries could be delayed, additional costs could be incurred to settle the estate, and you will have no say regarding who will be the guardian of your minor children. The only way to make sure your assets don't get divided by someone else is to create a will and a comprehensive estate plan. Since you never know when your last day may be, you don't want to wait until it's too late. As well, planning ahead allows you to make use of various financial vehicles, like trusts, which can help ensure you keep some control over how your assets are distributed after you're gone.

5. So minors will be looked after

If you die intestate, the court may split your assets evenly among your spouse and children, with the kids' portions going into trusts until they turn 18. The problem is, that may not leave your surviving spouse with enough money to pay the bills and care for the children in the interim. Plus, as unlikely as it may be, if both you and your spouse die before your kids are 18, you want them to be raised by someone you trust, which means naming a guardian in your will.

6. To help heirs avoid a hefty tax bill

The last thing you want to do is make life more difficult for your loved ones after you pass away. Without advanced planning, they might be surprised to find they owe more in taxes on the assets you've left them than they were expecting. This can be particularly problematic with a non-cash asset, such as a vacation property, as they'll have to pay capital gains on the property after you pass away. If they want to keep the home, but don't have money to cover the tax bill, then they may be forced to sell it. There are ways to pay that tax for them—maybe you sell it to your children before you pass away and then pay the tax bill, or you leave a life insurance policy specifically for covering any tax—but you need to strategize early.

It's important to meet with investment counsellor to create an estate plan, and revisit that plan every few years, especially if your life changes because of, say, a divorce or the arrival of a child. A professional can help demystify the process for you and make sure the ones you love are truly protected, no matter what happens.
