

Index

A

alter-ego or joint-partner trust

- exception to 21-year rule, and, 139
- generally, 83-84

alternative minimum tax (AMT), 113, 125, 130, 135, 136

B

bare trust

- generally, 2, 80, 81
- non-beneficial transfer, 185

C

capital gains exemption, 106, 112, 113, 124-125, 137, 156, 158, 159

certificate of appointment of estate trustee (probate)

- assets requiring no certificate, 79-80
- cost, 78
- necessity of, 78-79

codicil, 36-37

common-law partner trusts, 44, 83, 139

constructive trusts, 42-43, 53, 90

contract

- binding, requirements, 59
- drafting, 58-59
- examples
 - agreement among beneficiaries to distribute estate differently, 61
 - agreement to hold funds received on trust, 60-61
 - non-revocation agreement for a couple, 60
- generally, 57

corporations

- generally, 63-64
- share structure, 64-65
- shareholders' agreement, 65-66

D

death of taxpayer, taxes and

Canadian income taxes

- capital loss utilization without capital gains, 113
- deemed dispositions, 111-113
- family-use properties, 108-109
- implications of taxpayer's death, 106
- investments in marketable securities, 106-107
- paying deceased's income tax liability, 111
- personal-use property, 110
- rental properties, 107-108
- RRSPs and RRIFs, avoiding tax on, 109-110

foreign taxes, estate taxes

- Canadian foreign tax credit for U.S. estate taxes paid, 116
- United States estate tax, 114-115
 - exemptions, 115-116
 - which law applies, 114

returns to be filed for deceased

personal income tax returns

- advantage of filing optional separate return, 119-120
- final return, 118-119
- generally, 117-118
- other optional separate returns, 121-122
- rights or things, 120-121
- return for estate, 118

DNR clause, 29

drafting

- contracts, 58-59
- plain language, 168
- structure, 167-168
- wills, 39-40, 54-56

E

estate administration

- alter-ego or joint-partner trust, 83-84
- certificate of appointment of estate trustee (probate), 77-80
- distributions, 74-75
- estate accounts and compensation, 77
- expenses, allocation of, 76

- impartiality, duty of, 75-76
- income tax returns of deceased, 74, *see also* **death of taxpayer, taxes**
 - and**
 - no will, 73-74
 - settling debts, 74
- estate administration tax (probate fee)**
 - amount payable, 78
 - liability of estate, 41, 43
 - reducing or eliminating
 - bare trust, 81
 - beneficiaries designated on policies and plans, 81
 - jointly held assets, 80
 - two wills, 81-83
 - second marriage estate plan, 153-154
- estate freeze**
 - life insurance, and, 71
 - minimizing tax due, 125-126
- estate plan, protecting**
 - claims against estate for constructive trusts, 53
 - mutual wills for a couple, 53
 - suspicious circumstances, 52-53
- estate trustee (executor), *see* estate administration**
- example situations**
 - family business
 - business life-cycle, 155-156
 - early years of business, planning, 156-157
 - later years, planning, 158-159
 - middle years, planning, 158
 - second marriage
 - concerns, 146
 - description, 145
 - estate administration tax, 153-154
 - powers of attorney, 154
 - tools
 - Henson trust, 151-153
 - home, 147-148
 - marriage contract, 146-147
 - right to occupy the home, 149-150
 - RRSPs, RRIFs, TFSAs, 148-149
 - spousal trust, 150-151
 - support, 148
 - trust for adult disabled child, 151-153

- vulnerable client
 - capacity of testator, 164-165
 - concerns, 162
 - description, 161-162
 - moral obligation to support, 165-166
 - suggestions for proceeding, 162-166
 - undue influence indicators, 163-164
 - worsening of situation, 166
- young family
 - decisions to be made
 - children's trust, 143-144
 - estate trustee and trustee of children's trust, 143
 - guardianship, 143
 - insurance, 142-143
 - other considerations, 144
 - survivorship, 142
 - description, 141
 - issue, 141

F

family business — example situation

- business life-cycle, 155-156
- early years of business, planning, 156-157
- later years, planning, 158-159
- middle years, planning, 158

Family Law Act

- claims against estate
 - constructive trust, 90
 - dependent, 90-91
- election of surviving spouse on death, 91-92
- limiting equalization claims by spouse of beneficiary, 92-93
 - making loan instead of gift, 93
 - sample clause, 93
- net family property
 - calculation, 86-87
 - defined, 86
 - election on death, 87-88
 - equalization, 85
 - excluded property, defined, 86-87
 - matrimonial home, 88-89

property, defined, 86
 variation in payment, unconscionability, and, 89-90

foreign taxes, estate taxes

Canadian foreign tax credit for U.S. estate taxes paid, 116
 United States estate tax, 114-115
 exemptions, 115-116
 which law applies, 114

G

graduated rate estate (GRE), 118, 121, 128-129, 130, 135-136, 137

H

Henson trust, 151-153

I

incapacity

financial decisions, 95-96
 finding person incapable of managing property, 97-98
 generally, 95
 personal care decisions
 generally, 99-100
 medical treatment decisions and admissions to care facility, 100-101
 planning for incapacity
 agency arrangements, 102-103
 alter-ego and joint-partner trusts
 exception to 21-year rule, and, 139
 generally, 83-84
 generally, 102
 joint bank accounts, 102
 powers of attorney, *see* **power of attorney for personal care and power of attorney for property**
 Public Guardian and Trustee (PGT), 95-97
 temporary guardian of property, 97

income tax, *see also* death of taxpayer, taxes and

estate planning tips
 alternative minimum tax (AMT), 130

200 ESTATE PLANNING HANDBOOK

- capital gains exemption, 124-125
- charitable donations, 128-129
- early inheritances, 123-124
- employment, 124
- estate freeze, 125-126
- farming and fishing property, 125
- foreign owned assets, 131
- life insurance, 129-130
- medical expenses, 129
- post-death losses, 130
- RRSPs and RRIFs, 127-128
- spousal trust, 126-127
- TFSAAs, 128
- life insurance as income tax planning tool, 70-71
- returns of deceased, 74, *see also* **death of taxpayer, taxes and**

J

joint-partner trust, 83-84

L

life insurance

- beneficiary, designating, 69-70
- capital needs analysis, 68
- charitable donations, funding of, 71
- estate freeze, and, 71
- generally, 67-68
- income tax planning tool, 70-71
- matrimonial claims, 69

living will

- medical decisions, and, 101
- passive euthanasia vs. active euthanasia, 29-30
- precedent, 193-194
- requirements for assisted suicide, 30-31
- sample clause, 29

M

moral obligation to support

- disabled child, 152
- generally, 165-166

N

net family property

- calculation, 86-87
- defined, 86
- election on death, 87-88
- equalization, 85
- excluded property, defined, 86-87
- matrimonial home, 88-89
- property, defined, 86
- variation in payment, unconscionability, and, 89-90

non-beneficial transfer, precedents

- acknowledgement and power of attorney, 185-187
- continuing power of attorney for property, 187

P

perpetuities

- Accumulations Act*, 15-16
- accumulations, and, 16
- Perpetuities Act*, 15
- rule against, 13-15

plain language in drafting

- generally, 54, 168
- precedents
 - continuing power of attorney for financial matters, 189-191
 - non-beneficial transfer, 185-187
 - older couple with children and grandchildren, 175-184
 - power of attorney for personal care, 193-194
 - young couple with children, 169-174

power of attorney for personal care

- defined, 27
- duties of attorney

202 ESTATE PLANNING HANDBOOK

- generally, 31-32
- record keeping, 32
- end of, 33
- incapacity, 28-29
- living will
 - passive euthanasia vs. active euthanasia, 29-30
 - requirements for assisted suicide, 30-31
 - sample clause, 29
- number of attorneys, 33
- precedent, 193-194
- restrictions, 29-31
- second marriage estate plan, and, 154
- signing power of attorney, 27-28
- power of attorney for property**
 - accounts, 23-24
 - continuing power of attorney
 - duties of attorney, 22-23
 - end of, 21-22
 - generally, 18-19
 - payment of attorney, 24
 - requirements for grant, 19-20
 - defined, 17-18
 - due diligence considerations, 20-21
 - Ontario Law Reform Commission recommendations, 25
 - precedents, 187, 190-191
 - second marriage estate plan, and, 154
- precedents**
 - non-beneficial transfer
 - acknowledgement and power of attorney, 185-187
 - continuing power of attorney for property, 187
 - power of attorney for personal care, 193-194
 - power of attorney for property, 187, 190-191
 - sample wills
 - older couple with children and grandchildren, 175-184
 - young couple with children, 169-174
- probate, see certificate of appointment of estate trustee (probate)**
- probate fee, see estate administration tax (probate fee)**
- Public Guardian and Trustee (PGT), 25, 95-97, 101, 166**

Q

qualified disability trust (QDT), 136-137

R

RDSPs

avoiding tax on RRSPs and RRIFs at death, 109-110
U.S. estate tax, and, 115

resulting trust

bank account, and, 102
claims against estate, 42-43

revocable trust, 139-140

RRIFs

claims against estate, and, 91
considerations for will in second marriage, 148-149
death of taxpayer, 105-106, 109-110, 111, 113, 127-128
designation of beneficiary, 50, 81
election on death by surviving spouse, 88
estate administration tax, and, 153
final personal income tax return, 118
no requirement for certificate of appointment, 80
post-death decrease in value, 130
U.S. estate tax, and, 115

RRSPs

claims against estate, and, 91
considerations for will in second marriage, 148-149
death of taxpayer, 105-106, 109-110, 111, 113, 127-128
designation of beneficiary, 50, 81
election on death by surviving spouse, 88
estate administration tax, and, 153
final personal income tax return, 118
no requirement for certificate of appointment, 80
post-death decrease in value, 130
U.S. estate tax, and, 115

rule against perpetuities, 13-15

S

second marriage — example situation

- concerns, 146
- description, 145
- estate administration tax, 153-154
- powers of attorney, 154
- tools
 - Henson trust, 151-153
 - home, 147-148
 - marriage contract, 146-147
 - right to occupy the home, 149-150
 - RRSPs, RRIFs, TFSAs, 148-149
 - spousal trust, 150-151
 - support, 148
 - trust for adult disabled child, 151-153

spousal trust

- deemed disposition rule, and, 139
- generally, 12
- passing assets to surviving spouse, 126-127
- sample clauses, 182-184
- second marriage, and, 150-151
- tax-free rollover, 44-45

Substitute Decisions Act, 1992

- accounts requirements under Reg. 100/96, 23-24
- continuing power of attorney, 19, 20, 189-190
- incapacity and financial decisions, 95
- Ontario Law Reform Commission recommendations form, 25
- power of attorney for personal care, 193-194

Succession Law Reform Act

- claim against estate, 90-91
- conflicts of law, 55-56
- dependent, provisions for, 90-91, 166
- designation of beneficiaries, 50
- election of surviving spouse, 88
- generally, 38, 42
- gift under will cannot be found, 47

suspicious circumstances

- due diligence, 20
- take notes, 52-53

T**tax returns, see death of taxpayer, taxes and, and income tax****taxation of trusts and trust beneficiaries**

- calculation of trust income/flow-through of income to beneficiaries, 137-138
- different income tax treatments for different trusts
 - generally, 134-135
 - graduated rate estate (GRE), 135-136
 - other testamentary trusts, 136
 - qualified disability trust (QDT) , 136
- generally, 133
- revocable trust, 139-140
- transfer of trust assets to beneficiaries, 138
- 21st anniversary of trust, 138-139
- types of trusts, 133

taxes and death of taxpayer, see death of taxpayer, taxes and**TFSAs**

- considerations for will in second marriage, 148-149
- death of taxpayer, 105-106, 128
- designation of beneficiary, 50, 81
- estate administration tax, and, 153-154
- no requirement for certificate of appointment, 80
- U.S. estate tax, and, 115

three certainties of trust

- certainty of intention, 4-5
- certainty of objects, 5-7
- certainty of subject matter, 5

trustee, see also estate administration

- certificate of appointment of estate trustee (probate), 78-80
- different trustees for different tasks, 51
- obligations of, 2, 73
- who are estate trustees, 50-51

trusts, see also taxation of trusts and trust beneficiaries

- Accumulations Act*, 15-16
- alter-ego or joint-partner trust, 83-84, 139
- bare trust, 2, 80, 81, 185
- common-law partner trusts, 44, 83, 139
- constructive trusts, 42-43, 53, 90
- defined, 1-2
- drafting trust document, 8-13

206 ESTATE PLANNING HANDBOOK

- forming or settling, 3
- Henson trust, 151-153
- qualified disability trust (QDT), 136-137
- resulting trust, 42-43, 102
- revocable trust, 139-140
- rule against perpetuities, 13-15
- spousal trust, 126-127, 150-151
- three certainties, 4-7
- types of trusts, 133
- use of, 2-3

21-year rule, 138-139

U

undue influence

- generally, 35, 58, 59, 162, 166
- indicators, 52, 163-164

V

vulnerable client — example situation

- capacity of testator, 164-165
- concerns, 162
- description, 161-162
- moral obligation to support, 165-166
- suggestions for proceeding, 162-166
- undue influence indicators, 163-164
- worsening of situation, 166

W

wills

- abatement, 47
- ademption, 47
- alterations to, 37
- assets and liabilities
 - generally, 40-43
 - separate trusts for special assets, 51-52
- beneficiaries

- granting power to choose later, 45
- lapse, 48
- naming, 43
- children
 - adopted, 46
 - co-ownership by, 45
 - guardian, appointment, 46-47
- codicil, 36-37
- common accident, 44
- defined, 35
- drafting, 39-40, 54-56
- estate plan, protecting
 - claims against estate for constructive trusts, 53
 - mutual wills for a couple, 53
 - suspicious circumstances, 52-53
- gifts to beneficiaries to be determined later, 37-38
- incorporating another document into will, 36
- lapse, beneficiary dying first, 48
- life insurance designations, 49-50
- mutual wills for a couple, 53
- pensions and registered investments (RRSPs, RRIFs, TFSAs)
 - designations, 50
- residue, 48
- revocation, 35-36
- sample wills
 - older couple with children and grandchildren, 175-184
 - young couple with children, 169-174
- separate trusts for special assets, 51-52
- spouse or common-law partner trust, 44-45
- trustees
 - different for different tasks, 51
 - estate, 50-51

Y

young family — example situation

- decisions to be made
 - children's trust, 143-144
 - estate trustee and trustee of children's trust, 143
 - guardianship, 143
 - insurance, 142-143

208 ESTATE PLANNING HANDBOOK

- other considerations, 144
- survivorship, 142
- description, 141
- issue, 141
- sample will, 169-174