



THE BASICS OF FINANCIAL AND ESTATE PLANNING IN TIMES OF CRISIS

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INVESTMENT MANAGEMENT

THE BASICS OF FINANCIAL AND ESTATE PLANNING IN TIMES OF CRISIS

- CERTIFIED FINANCIAL PLANNER
- PARTNER AT A PRIVATE INVESTMENT MANAGEMENT FIRM, EXPONENT INVESTMENT MANAGEMENT
- WORK WITH INDIVIDUALS AND FAMILIES
- DEVELOP AND IMPLEMENT **PERSONALIZED RETIREMENT INCOME PLANS**
- IMPLEMENTING STRATEGIES TO MAXIMIZE INCOME AND MINIMIZE TAXES AND RISKS
- WORK WITH CLIENTS PRIMARILY BETWEEN WINNIPEG AND VANCOUVER
- FOCUSED ON RETIREMENT INCOME PLANNING FOR OVER 12 YEARS
- REGULAR CONTRIBUTOR IN THE NATIONAL POST'S *FAMILY FINANCE* COLUMN



Elliott Einarson, CFP
Partner & Financial Planner at
Exponent Investment Management



FOCUS ON RETIREMENT PLANNING

- Retirement planning is about creating a better outcome
- Retirement planning is one key aspect of financial planning, but integrated with almost all aspects
- The sooner you start the more opportunities you will find



RETIREMENT INCOME PLANNING OVERVIEW

- The retirement planning process gives you a broad overview of your financial situation and brings clarity to several other aspects of your financial picture – providing a view from 30,000 feet
- Going through the process relieves anxiety and provides a working document to return to in uncertain times



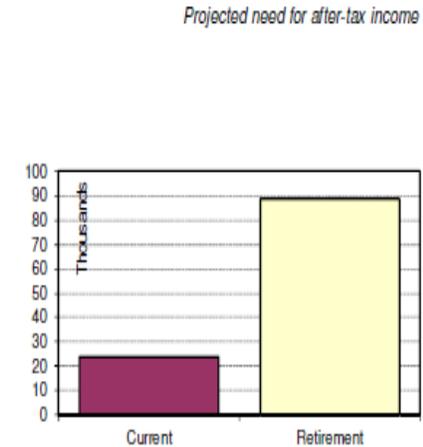
THE STARTING POINT: DETERMINING YOUR NET INCOME NEEDS

- Projections over 30 years
- Solving for net income needs
- Executing year-by-year in retirement
- Start planning now

Lifestyle Needs

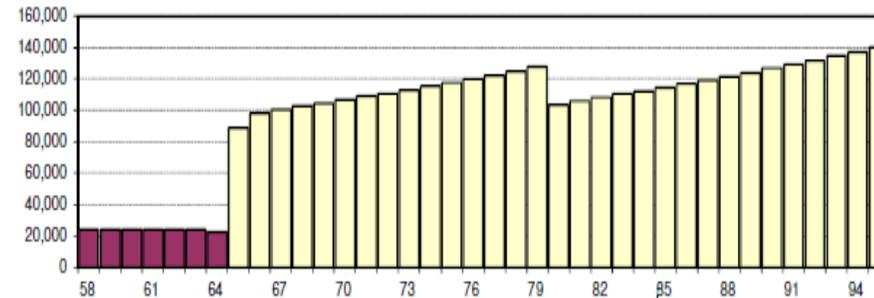
Prepared for: **Jon and Jane Smith**
Prepared by: **Elliott Einarson, CFP**

Lifestyle Allocation	Current	Retirement
Employment Expense	0	0
Debt Service	24,000	0
Lifestyle Needs	0	88,449
Insurance Premiums	0	0
Medical Expenses	0	0
Charitable Contributions	0	0
Child Care	0	0
Total Lifestyle Needs:	24,000	88,449



Over the long term, it's possible to achieve financial security by saving and investing an appropriate portion of earned income. The key is to accumulate sufficient assets to provide the level of income you expect to require in retirement while maintaining an adequate standard of living today. The graph below projects your lifestyle needs (adjusted for inflation) in addition to other short and long-term goals.

The likelihood of meeting these anticipated lifestyle needs is determined by comparing your projected income from all sources to your anticipated retirement expenses. This comparison helps to determine what financial strategies will need to be implemented to ensure you meet your retirement goals.



CREATING THE RETIREMENT INCOME

- Tailoring income streams for your situation includes deciding which assets to use first and which to defer
- Focusing on short-term and long-term tax efficiency
- Developing an “exit strategy” for registered accounts in the plan
- Delivering a survivor friendly and estate friendly outcome



PROJECTED CASH FLOW & NET INCOME

- The final plan must meet the established projected net income needs
- The final plan must meet net income needs with all goals in mind, including tax efficiency and estate goals or it is a poor plan

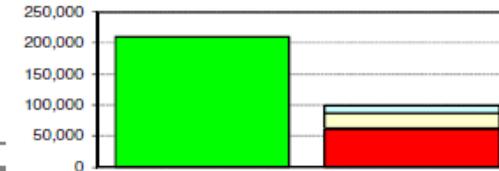
Projected Cash Flow

Projected after-tax income compared to income needs

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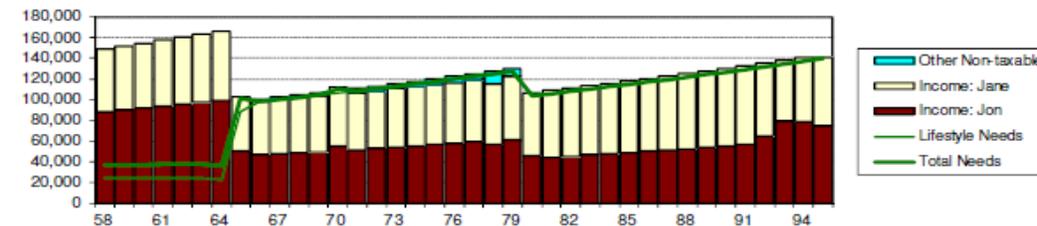
Cash Flow

Total Income	210,938	
Tax Payable	61,993	29.39%
Reinvested Growth	938	0.44%
Lifestyle Needs	24,000	11.38%
Investment Activity	12,000	5.69%
Excess / (Deficiency)	112,007	53.10%



The chart above compares your current total income from all sources to your needs including income taxes, investment activity and your lifestyle. The chart below compares your future projected lifestyle needs and investment activity to your after-tax income from all sources.

Investing excess income in the earning years helps ensure that there is sufficient capital to provide for a secure retirement. To correct a projected shortfall in the retirement years, you can invest more during the earning years, invest more efficiently, plan on working longer, or reduce your expectations for retirement income.



NET WORTH AND ESTATE WORTH OVERVIEW

- An overview of asset values over time helps to evaluate the tax efficiency of a retirement income plan
- Asset values are evaluated both on a before-tax and after-tax basis

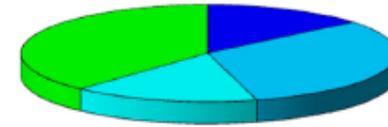
Projected Net Worth

Projected net worth including estate values

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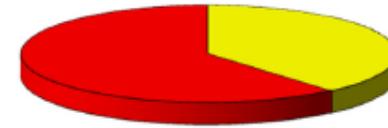
Assets

■ Non-registered & TFSA	165,000	13.99%
■ RRSP / RRIF	375,000	31.79%
■ Pension	189,633	16.08%
■ Real Estate	450,000	38.15%
■ Other Assets	0	0.00%
Total Assets	1,179,633	100.00%



Liabilities

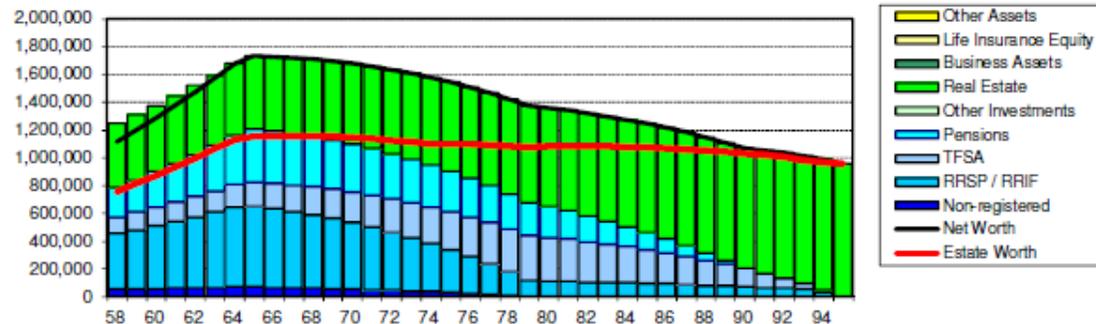
■ Principal Residence	150,000	38.69%
■ Other Debts	0	0.00%
■ Deferred Taxes	237,735	61.31%
Total Liabilities	387,735	100.00%



Net Worth 791,898

The two charts above provide a breakdown of your total current assets and liabilities. The asset chart compares various categories of assets to your total assets while the liabilities chart compares the different types of debt you have and any deferred taxes to your total liabilities.

The Net Worth chart below offers an overview of how your assets are likely to grow based on the assumptions we have made. This illustration includes your personal assets, investments, principal residence, other real estate, and business interests at their anticipated rates of growth. The net worth line represents the total value of all assets net of any debts.



INTEGRATE PLAN WITH PORTFOLIO MANAGEMENT

- The retirement income plan will bring to light cash flow needs
- Portfolio management should be personalized, tailored to your cash flow and liquidity needs
- Portfolio manager will ensure efficient asset allocation between accounts
- Financial advisors/planners are not portfolio managers, but need to work together



Portfolio Manager

- ◆ Researches hundreds of companies on an ongoing basis
- ◆ Analyzes financial statements and reports
- ◆ Identifies opportunities according to a rigorous process
- ◆ Determines proper valuations to establish entry and exit points
- ◆ Builds a customized portfolio according to your needs
- ◆ Continually monitors the markets and your portfolio
- ◆ Applies a disciplined approach to buying and selling not clouded by emotion
- ◆ Rebalances proactively
- ◆ Provides comprehensive reporting of performance, income, and cash flow
- ◆ Conducts regular reviews with you
- ◆ Communicates thoughts on the markets via regular written updates
- ◆ Works with regulators to ensure compliance
- ◆ Implements recommendations from the plan in order to meet cash flow requirements

Financial Planner

- ◆ Determines needs
- ◆ Sets realistic goals
- ◆ Helps establish better savings habits which leads to wealth accumulation
- ◆ Stays focused on goals and avoids mistakes
- ◆ Provides guidance and education
- ◆ Develops a strategy
- ◆ Determines risk/return requirements
- ◆ Determines cash flow requirements
- ◆ Sets asset mix
- ◆ Conducts:
 - ◇ Retirement planning
 - ◇ Tax planning
 - ◇ Income planning
 - ◇ Insurance planning
 - ◇ Estate planning
 - ◇ Investment planning
 - ◇ Succession planning
- ◆ Creates a comprehensive financial plan
- ◆ Reviews the plan and makes adjustments regularly

Flow of communication

OTHER PROFESSIONAL SERVICES BECOME KEY TO IMPLEMENTATION AND A BETTER OUTCOME

- Estate Planning
- Tax Planning



MLT AIKINS INTRODUCTION

- **MLT AIKINS LLP:**
 - *More than 240 Lawyers*
 - *Offices in Winnipeg, Saskatoon, Regina, Calgary, Edmonton, and Vancouver*
- **Succession Law in Western Canada:**
 - *Canada has a federal system of governance*
 - *Provinces have jurisdiction over “**property and civil rights**”*
 - *Succession law, other than federal tax matters, is governed provincially*
 - *There are similarities, but also key differences, among the western provinces with respect to succession law.*



AGENDA

- Why you need a will and what happens if you don't have one?
 - *What's a will?*
 - *What are the signing requirements for a will?*
 - *What happens if I die without a will?*
- What are beneficiary designations, and what are some common errors in them?
- What's an estate plan, and when should you update it?

WILLS

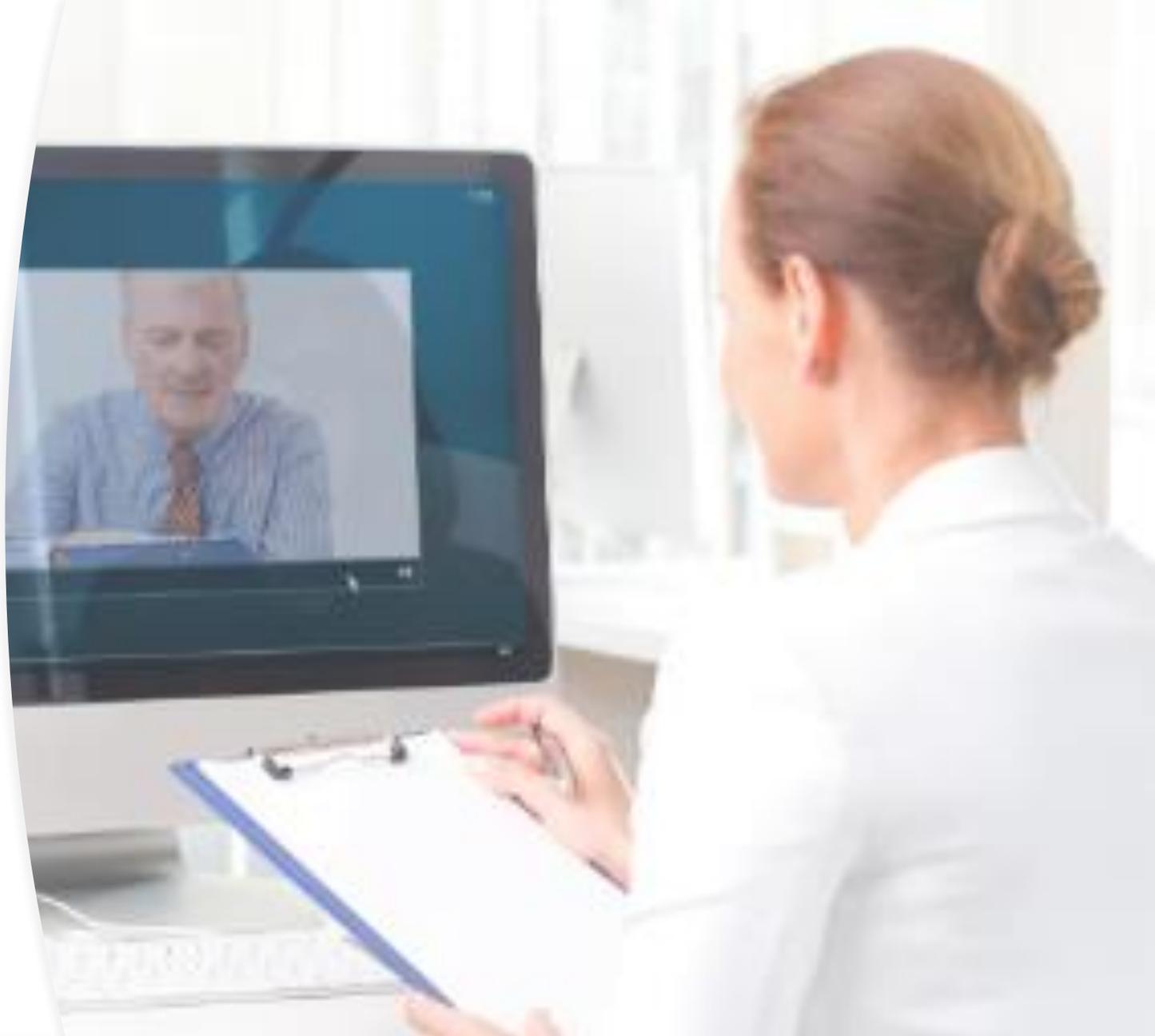
- A will is a document specifying the sum of a person's wishes upon death
- Key decisions in a will:
 - ***The executor:*** Who manages my assets and pays my liabilities?
 - ***The beneficiaries:*** Who benefits from my legacy?
 - ***The trustee:*** Who manages the share of any underage, disabled, or irresponsible beneficiaries and on what terms?
 - ***The guardians of persons:*** Who do I want to take care of my minor children, if any?

WILLS (CONTINUED)

- Requirements for a valid will are generally consistent in BC, AB, SK and MB
- Must be in writing, signed, and dated in the presence of two witnesses
 - *Witnesses should not be beneficiaries or common law partners/spouses of a beneficiary*
 - *Witnesses could be any other adult, with capacity*
 - *Exception – Holograph wills (entirely in the testator's (i.e. willmaker's) handwriting and signed at its end)*

EMERGENCY MEASURES

- Saskatchewan
 - *During the emergency period (or for testators subject to quarantine), permits witnessing of a will through electronic means of communication if one of the witnesses is a lawyer.*
- Manitoba
 - *Until October 1, 2020 (unless revoked earlier), permits witnessing of a will through electronic means of communication if one of the witnesses is a lawyer.*



WHAT HAPPENS IF I DIE INTESTATE, I.E. WITHOUT A WILL?

- **Administrator:** Someone (surviving spouse or next of kin) must apply to the court for letters of administration in order to administer your estate
 - *An administrator may need to post a surety bond, at the expense of the estate*
 - *If administration is being sought in Manitoba, the administrator must be Manitoba resident*
- **Beneficiaries:** Determined in accordance with the intestacy legislation of the appropriate jurisdiction
 - *Personal Property:* Law of Domicile (Permanent Home)
 - *Real Property:* Law of Situs (i.e. the property is located)

WHAT HAPPENS IF I DIE INTESTATE, I.E. WITHOUT A WILL?

- Intestacy Laws are not consistent among jurisdictions in Canada:
 - *E.g. spouse and common descendants:*
 - All to spouse in AB, SK, and MB
 - In BC, surviving spouse receives household furnishings and preferential share of \$300K. Balance of intestate estate is divided equally between spouse and descendants.
- Intestacy laws prioritize relationship of blood or marriage, over relationships of affection (excludes stepchildren)
- Intestacy legislation from other jurisdictions may be relevant if you have real property outside the jurisdiction of your permanent home or domicile
- If a minor child becomes entitled to a share, then someone may have to apply to the court for guardianship of the minor's property

BENEFICIARY DESIGNATIONS

- Will substitutes
- Will wouldn't cover property subject to a contrary beneficiary designation:
 - *Insurance policy*
 - *RRSP, RRIF*
 - *TFSA*
 - *Pension plan*
- Beneficiary designations can be made by will or by contract

BENEFICIARY DESIGNATIONS: COMMON ERRORS

- **Not changing a beneficiary designation after separation or divorce:** Divorce doesn't automatically revoke a beneficiary designation
- **Not changing a beneficiary designation after marriage:** Marriage doesn't automatically make your spouse a beneficiary
- **Absence of a gift-over:** If you have three children as beneficiaries of your insurance policy, and one of them dies before you (leaving children), only your surviving children (& not the children of any predeceased child) may inherit.
- **Tax Implications:** If you designate your spouse as the beneficiary of an RRSP and your children as residual beneficiaries, the spouse may accept the monies outright (not on a tax-deferred basis) leaving tax liability with your estate and reducing residue.
- **Designating a minor as beneficiary:** Might require a court application by a parent or guardian for guardianship of the minor's property to access the account.



ESTATE PLANS

- An Estate Plan:
 - *Reviews the totality of assets passing from one generation to the next, or from one person to the other (whether pursuant to the will or otherwise)*
 - *Anticipates and arranges, during a person's life, for the management and distribution of that person's estate, in an efficient manner, while minimizing taxes (if feasible)*
- It's vital to ensure that the overall plan (i.e. passing pursuant to the will and outside it) is consistent with your intentions (subject to any contractual or legal constraints)
- May include wills, insurance trusts, beneficiary designations, co-ownership agreements, etc.

WHEN SHOULD YOU UPDATE YOUR ESTATE PLAN?

- **Marriage or Common-Law Relationship:**
 - *Marriage revokes a will in SK and MB, but no longer in AB or BC*
 - *A common-law relationship may revoke a will in SK*
 - *Spousal relationships also create a variety of obligations (pension, family property, homestead) that need to be taken into account, whether or not a previous will is revoked.*
- **Separation or Divorce:**
 - *A divorced spouse may be excluded from benefit under a will, but may still have entitlement pursuant to a beneficiary designation*
- **If you move:**
 - *From one province to another*
 - *To the United States*
 - *Elsewhere outside Canada*

WHEN SHOULD YOU UPDATE YOUR ESTATE PLAN?

- If a beneficiary becomes disabled
- If a beneficiary dies
- If a beneficiary moves abroad:
 - *U.K. – Inheritance Tax Planning*
 - *U.S. – Estate Tax Planning*
- If your wealth or insurance coverage changes significantly
- If you are contemplating a corporation reorganization or setting up a family trust
- If you acquire, or anticipate acquiring, assets outside of Canada
- If you have reason to believe that those you may have appointed as executors, guardians, or trustees will no longer be able to fulfill their roles?

THANK YOU

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QUESTIONS?