Oct
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2017

Will Your Estate Have Enough Cash?

We've all heard that life has two certainties - death and taxes. You need to know the two often coincide. While Canada does not have an official death, estate or inheritance tax, there are some postponed taxes that become payable on death. There are other obligations that need to be taken into account as well. Without proper planning [1], an estate may have to face large and unexpected cash shortages. Consider:

Let's start with taxes. How many will your estate have to pay? How much? And in which jurisdictions? If you are not married, Canada Revenue Agency (CRA) assumes all your assets are sold when you die, at fair market value, and then levies income tax on any capital gains.

Do you own property in another country? A vacation home in Florida, Arizona, Maui, or elsewhere? Do you know how much federal estate taxes and state inheritance taxes will be on it?

Even if your estate has negligible taxes payable, how much will it have to pay in funeral costs, probate fees, transfer-of-ownership fees, legal expenses, executors' fees, and the rest of the settlement costs? How much do you owe? Creditors want their money back when a debtor dies. Will there be enough cash in your estate to pay them off?

If there won't be enough cash in your estate to pay the immediate claims against it - the various taxes, funeral and settlement costs, and debts - where will the money come from? What will your executors [2] have to sell? Is that what you really want?

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After the immediate liabilities are paid by your executors, will there be enough left to provide a secure income for your spouse and other dependents? Will it allow them to live as you'd like, or will they have to cut back? How long do you want the income to last?

Do you have business interests that should be sold? Are they covered by buy-and-sell agreements? Where will the money come from to buy your interests? Will there be any difficulties in converting them into the ready cash your executors need to settle your estate?

Are there business interests, or certain assets that you want your heirs to keep? Will there be enough cash from other sources so your executors will not be forced to sell them to pay the taxes, other costs and debts demanded of your estate?

Are you a key man in your business? Is there enough cash to survive losses your death may cause?

Death triggers demands for cash. These demands can force the sale of your best assets. And reduce what's left for your family.

Questions about Estate Planning?

Contact our office! **[3]**

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