Five Steps To Creating Your Estate Plan

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A common misconception about estate planning is that it is only for the rich and famous. In fact, creating an estate plan is something that most people should do – and the sooner, the better.

There are five simple steps to creating an estate plan. By taking these steps, you can ensure that your estate is passed to the people that you have chosen in a timely manner. If you don't plan your estate, then provincial law determines who gets what. In some cases, the Canada Customs and Revenue Agency is the major beneficiary.

Step one: creating your inventory

The first step in creating your estate plan is to make a list of all your assets and liabilities. Often, an individual's assets are scattered around various financial institutions, in their home and other properties. Finding out where they are and gathering them together can be a huge burden on the executor of your estate. By creating an inventory, you will help simplify and expedite the transfer of your estate to the people that you have chosen.

Assets that may be included in your inventory are: property, bank accounts, investments, RSPs/RIFs, insurance policies, pensions and the value of any business you own. Liabilities that may be included are: mortgages, credit cards and personal loans.

Step two: defining your objectives

There are a multitude of questions to be considered when

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determining your estate planning objectives. While these objectives can vary greatly from one individual to another, there are several basic questions that should be addressed, such as deciding who the beneficiaries of your estate will be.

You should also consider what impact your estate plan will have on your family. If you have named some family members as beneficiaries, and excluded others, there can be conflict. It may be a good idea to discuss your estate plan with your family to ensure that your intentions are understood.

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Other basic considerations include:
• providing support for your immediate family
• minimizing taxes and probate fees
• determining when a certain beneficiary receives an inheritance
• deciding whether or not to leave something to charity

Step three: evaluating your objectives

Determining your objectives is one thing - making sure they are realistic is another. To ensure that your estate plan has achievable goals, you must consider your current overall financial picture, your retirement objectives, plus the impact of inflation and taxes.

Step four: putting the plan in action

The basic component of your action plan will most likely be the creation of a new Will or the review of your existing Will. Other components might include changing the legal ownership of certain assets, purchasing additional insurance or giving gifts.

Step five: consulting with the appropriate advisors

Planning your estate can be a complicated process. To properly implement your plan, it is a good idea to consult with qualified professionals such as your estate lawyer, accountant, financial planner, trust officer and investment advisor.