

Robert Service penned a few lines in honour of the frontiers gold miners of his nineteenth century Yukon. All these years later, and a long way south of his beloved territory, the words ring true to us here in the central interior of BC. It's about the wrestle to tame the thing that fascinates us the most, our humongous backyard. Yet again this summer, so many are fighting bravely to survive a hot dry fire season, living among pitch-stoked matchsticks, while gigantic sparks arc randomly out of the sky all around them. There's not room for his entire poem here, but I've posted a few disjointed excerpts as an ode to the men and women courageously fighting the fires all around us, and the loggers, farmers and ranchers who have plunked their families down and carved out a life in this beautiful place.

### **Men (and Women) of the High North**

Men of the High North, the wild sky is blazing;  
Ringed all around us the proud peaks are glowing;

Honour the High North ever and ever,  
Whether she crown you, or whether she slay;  
Suffer her fury, cherish and love her--  
He who would rule he must learn to obey.

Men of the High North, fierce mountains love you;  
Proud rivers leap when you ride on their breast.  
Children of Freedom, scornful of frontiers,  
We who are weaklings honour your worth.

Like me, Service was a city boy banker whose fascination for the untamed took him north, where he leveraged his education and began writing about the frontier. Unlike me, he married an heiress much younger than him, and quit his job in order to travel the world and write full-time, which he did very successfully. He lived in Paris for a time as a wealthy writer. There he met his wife, while posing as a poor artist. Not long before World War 2, his pen earned him the disdain of the encroaching German Nazi regime. When the Nazi's took Paris, they raided his home, looking for the writer who had mocked Hitler earlier in newspaper verse. That lone makes him cool.

Service's much younger wife outlived him by 31 years, but he left her a legacy of poems, novels, and even some Hollywood success. By the time his wife passed in 1989, there was also a daughter and grand children in the mix, which, although not a blended family, would have made for a substantial estate settlement.

In part 3 of our examination of estate planning for blended families, we explore a few more tax issues which invariably arise.

### **Tax Implications of Dying with Non-registered assets**

As noted earlier you are deemed to have disposed of all of your capital property on your death for fair market value. If you've held the assets for a long time, this probably results in a capital gain, which is included in your final tax return. In effect, Canada Revenue Agency has snakily become the biggest, hungriest creditor you never knew you had, having lurked stealthily in a stack of papers in your den. "Oh, here's that tax bill honey! It was right here next to your yodelling trophies."

As with RRSP's, there is a tax deferral for property left to your spouse or a qualifying spousal trust. Such property is deemed to rollover to your spouse or spousal trust at your adjusted cost base, and any capital gain or loss is deferred until the trust or your spouse disposes of the property.

### **Life insurance proceeds**

If you own a life insurance policy, the proceeds payable on your death to your named beneficiary or estate are generally not taxable at all to whomever they are paid. This is because we usually pay insurance premiums with after-tax money. This is an extremely handy method of evening things it when the beneficiaries in your will have, through the course of time, been plucked from different families to land with you and your current spouse.

**Probate tax**

Assets passing through your estate on death may be subject to probate taxes. Therefore, you may want to divert the assets to pass outside your estate, by holding the property as joint tenants or naming beneficiaries on registered plans or life insurance policies.

Although probate tax minimization is a perfectly legitimate estate planning goal, you may have competing objectives, (such as not having your money stolen from you by your co-owner's creditor, suitor or spurned partner). If you own property jointly with the right of survivorship with your spouse, or child, or the Zamboni driver, this property will not be subject to probate tax on your death, and will pass outside of your estate directly to your surviving spouse or child.

But (and this is a big but), they will be free to do whatever they choose with this property, including gifting it to their own children or buying a squadron of Argentinian circus clowns. To protect your children's inheritance, you may want to keep your assets in sole name, and have them pass through your estate on death into a testamentary trust created under your Will. In short, before implementing any probate avoidance strategies, weigh the benefits and risks carefully.

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