My sister had a cat named Bink -- a shiny short-haired black and white female, who gave us lots of cute kittens, and was the object of something nigh unto worship from my sibling (the cat and the picture of David Cassidy up on her wall). She adored Bink so much that she regularly had tea with her, crafted her a home-made neckless, took her to her room every night, and even let her give birth to two litters of kittens in her dresser drawer.

Bink was a lively companion to the more docile and much fluffier feline we called Rubenstein, named after the nineteenth century Jewish-Russian-born composer. The old tomcat couldn't play our hand-painted pink piano (yeah… it was the 60's) but he liked to try, and would sit atop the rickety edifice when my sister played, purring like a Honda generator.

The cats even managed to get along with our unruly dogs, Laman and Lemuel, and would cuddle with the rowdy canines whenever given the chance.

But then one September morning we found Bink outside laying very still. She was more than played out. She was dead. We broke the news to my sister, who went in to hysterics for what seemed like several hours, and was only consoled the next day when my brother and I built the critter a fancier coffin than my dad was later buried in. It was lined with silk cushions, fancy pins and adorned with half-chewed catnip toys. We laid her to rest under my apple tree, which actually seemed to perk up not long afterwards.

Rubenstein lay quietly nearby purring as we (literally) sang Cumbia, and placed the majestic cat casket in the ground.

Today, with fewer children, and more pets, there is a growing industry, believe it or not, to write provisions for pets in a Will. And I am not going to write about that because that would be weird. Instead:

Blended families and estate planning, Part 2:

Income tax implications
Choosing the right asset for the right beneficiary can be a complex task. You may choose assets of equal value for each beneficiary but due to different tax treatments applicable to these assets, the final values may vary, causing inequality and even spite between beneficiaries. In deciding which assets to leave to your loved ones, consider the income tax implications.

There is a huge tax advantage in leaving assets to your spouse. Since they can rollover on a tax-deferred basis on your death. This is called the spousal rollover (not to be confused with that other spousal rollover that occurs when you try to kiss her goodnight but forgot to brush your teeth).

Different assets – Different taxes:

- Say you had three children which you wanted to equally benefit in your Will, and you left $100,000 from an RRSP to one child, another $100,000 in a non-registered portfolio to another, and then a cottage worth $100,000 to the third child, you might think you are rewarding them equally, but you aren't. Each of the three assets, even if worth precisely the same amount on your death, is taxed quite differently.
    - To add to the sting, each of the assets might have wildly different value fluctuations between the day you made the will and the day of your death, and,
    - A temporary dip in markets could push down on all three assets temporarily on the day of your death, yet the taxes due on your death are still due. They could sell some of the assets to cover the taxes but it might make more sense to wait for markets to improve.
    - We solve this one with tax-free insurance whenever practical.

Registered assets

RRSP/RRIF
As a general rule, on your death, the fair market value of your RRSP or RRIF is included as income on your final tax return and taxed at your marginal rate – all of it. For many of us, this will represent our

largest tax bill ever. As mentioned above, the spousal rollover (the money one) defers this until the second spouse's death.

When you designate your spouse as beneficiary, your RRSP or RRIF is wound up and your spouse may transfer the plan assets directly to their own RRSP or RRIF. Alternatively, he or she can convert the funds to an annuity. Either way, the tax is deferred until your spouse either withdraws it or passes away.

It may also be possible to obtain a tax-deferral if you name a disabled dependent child or grandchild as beneficiary.

TFSA

You may designate your spouse as the beneficiary of your TFSA, which would result in a one-time balloon increase of their TFSA limit, and a nice increase in potential non-taxable investment growth thereafter. You can designate your children as beneficiaries, but the funds would be converted to non-registered assets, with future growth being taxable.

Either way, designating a TFSA beneficiary can make life easier for your executor and help minimize probate taxes. You can also minimize probate tax by naming a TFSA beneficiary in your Will. In every case, the TFSA transfers to the new owner, tax-free as at the date of death, but future growth is taxable in the case of a child.

Still a bit more on this topic to follow.

Mark Ryan is an Investment Advisor with RBC Dominion Securities Inc. (Member–Canadian Investor Protection Fund), and these are Mark's views, and not those of RBC Dominion Securities. This article is for information purposes only. Please consult with a professional advisor before taking any action based on information in this article. Mark can be reached at mark.ryan@rbc.com.