Strategy UPDATE
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Should you get life insurance for your children?

Life insurance is a topic that often sparks discussions about protecting loved ones and securing financial stability for the future. While it's common to consider life insurance for adults, a policy for your children is often overlooked even if it offers many benefits – as well as unique considerations.

What are the benefits?

1. Tax-free money for unexpected expenses: The most obvious benefit of life insurance for children is the financial support it can provide in case of unexpected events that truly none of us ever wants to think about, like funeral costs. The payout from a child's life insurance policy is typically tax-free, which can ease the financial burden during a difficult time.

2. Building a financial safety net: More importantly, life insurance for children can serve as a financial safety net for their future. By investing in permanent insurance, you're not only providing coverage for a child but also building an investment component within the policy. This means that over time, the policy accumulates cash value, which can be used for various purposes (see point #4).

3 Guaranteed insurability: One significant advantage of insuring your children early in life is guaranteed insurability. This feature allows you to secure their ability to obtain more insurance in the future, even if they develop health issues. This can be invaluable in case they face medical conditions that might make it difficult to secure new insurance later on.

What's inside

(Almost) everything an executor needs to know

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4. Multiple uses: Life insurance for children can be used in many ways as they grow up. For instance, for major life events like buying a house or as a source of retirement income decades from now.
5. Tax-free savings: For children under 18, options for financial savings are limited — for instance kids cannot open an RRSP or TFSA account. Life insurance can be an effective way to create a tax-free savings vehicle for their future. The cash value within the policy can grow over time.

A few strategies to think about

1. Consider the type of insurance: When choosing a life insurance policy for children, opt for permanent insurance rather than term insurance. Term insurance is like renting coverage for a set period, while permanent insurance offers both protection and an investment component.
2. Structure the premium payments: You can choose to pay premiums over a specific number of years (for instance, 20 years), so that your children won't have to shoulder ongoing premium payments once they take ownership of the policy.
3. Ownership and control: Decide whether you or your child should own the policy. Ownership affects control over the policy, so consider your preferences and the child's ability to handle the policy responsibly.

Choosing the right life insurance policy for your child can feel overwhelming. But ultimately, it's a wise investment in your child's future financial well-being and insurability, one that provides peace of mind to everyone involved.

If you have any questions or you'd like advice about life insurance, we're always happy to help. Reach out to us anytime.

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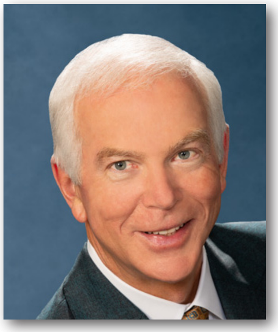

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In our last article, we discussed tips to help you choose an executor for your Will. In this article, we tackle some of the nitty gritty an executor is usually responsible for.

While an executor's responsibilities technically only begin once the Will's often long probate process is complete, the reality is most executors will become involved long before this and usually around the funeral of the person whose Will they're executing.

Before officially becoming an executor

Whether the executor is a family member, a friend or even a third-party trustee, it's a good idea to discuss funeral arrangements and wishes long before a person's passing. Ideally, funeral instructions should be left in a separate agreement or memo and discussed with other family members. That way, when the time comes, there's no confusion or disagreements related to how the person wants to be remembered.

(At this time, it's also a good idea for the executor to ask for a list of important information — not just financial, but also the names and account numbers for home insurance, utilities and the like, a list of valuable art or collectibles, as well any agreements the executor should be made aware of like, for instance, divorce or separation agreements from a former relationship. And of course, the executor will want to make sure they have the most recent version of the Will.)

Following the funeral

Around the time of the funeral, the funeral director will likely notify CPP and OAS to ensure eligible pension amounts, including a $2,500 taxable CPP death benefit, are transferred to the surviving spouse (if applicable). Notifications will also need to be sent to the Canada Revenue Agency (CRA) as well as to Equifax and TransUnion.

Once the funeral has passed, typically the next unofficial step for an executor is to provide the lawyer handling the probate application with an inventory of assets. Some assets may be subject to joint title with a widowed spouse or with children and others may be subject to a beneficiary designation. A lawyer will need a total of those assets so that they are not included in calculating the probate fee.

Although all bank and investment accounts are typically frozen, once the approximate probate fees can be calculated, the firm that handles the deceased investments will usually release funds to pay the probate fee. It's not common for the executor or family members to be required to cover the fee until the estate is settled.

If the deceased person had previously been living in a retirement home or a rental accommodation, and there are no other properties to consider, real estate is reasonably straightforward for an executor to deal with. If, however, there's an owned primary home or a cottage up north, the executor will want to make sure these properties are properly secured — for instance, by changing the locks and ensuring the heating stays on and pipes don't burst in the winter. They'll also want to make sure utilities and any mortgage or rent payments continue to be paid until the properties are sold and vacated — or come to an arrangement with the mortgage company or landlord until after the probate period.

The executor will also want to cancel every kind of legal document like the deceased's driver's license, health card and passport as well as credit cards, debit cards, subscriptions and memberships. The one document that should not be cancelled right away is the deceased person's Social Insurance Number (SIN), as this is a vital link to the tax system until after probate and the estate is settled with beneficiaries.

Next, the executor will want to be in touch or meet with the deceased's lawyer, financial and insurance advisors and accountant to ensure everyone is on the same page about understanding the estate's value and any unforeseen issues.

After probate – the real work begins

Once probate has been issued, the executor will be responsible for selling the deceased's real estate holdings. It's always a good idea to interview three agents and to get the properties valued by an impartial evaluator to assuage any concerns from family members who may have an inaccurate sense of a property's value.

As for investments like stocks, bonds and mutual funds, these are usually liquidated once probate is granted. An interim distribution can take place thereafter where 60 to 70% of the funds can be transferred to beneficiaries with the remainder held back for tax liability until the estate is fully settled, which can take another year or two.

Once the funds are fully distributed and all aspects of the Will are taken care of, the deceased's Social Insurance Number can be cancelled. A release should be drafted and signed by the law firm handling the estate to confirm that the executor has completed their duties.

Tying up loose ends – and getting paid

In Ontario, the province has the right to audit the estate for up to four years following a death, so it's a good idea to hold on to any notes and documents that could be helpful for auditing purposes, should that be necessary.

How or whether the executor is paid for their services is another topic that should be discussed long before a person's passing. If the executor is a family member, they'll often agree to get remunerated with a gift from the estate – if they get paid at all – rather than getting paid as an estate trustee, which is taxable. Increasingly, as estates become more complex, executors choose to hire a third-party agent. There are often specialized agencies or expert individuals who can act as the executor's representative to handle most of the work of executing the Will. A person may even choose to directly name a corporate trustee in their Will at the outset instead of an individual as executor. While there's obviously a cost associated with bringing in a third party, executing a Will can be complicated and time-consuming and it's usually money well spent.

Ask us for a copy for our Executor Checklist, a helpful step-by-step document for executors and anyone planning their Will. Reach out to us anytime – we are always here to help.

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