



Module 10

DEATH OF A SPOUSE OR PARENT

MONEY AND YOU SENIORS
EDITION

Module 10

DEATH OF A SPOUSE OR PARENT

Let's Discuss...

\$ Planning milestones – when should I start?

\$ Conversation stepping stones for end-of-life issues - parents

\$ Planning with parents

\$ Planning with spouses

\$ When your spouse dies

\$ Planning with executors

\$ Helping those we leave behind

Death of a loved one – never fun to think about, however it is so critical to plan ahead for this natural life event. Planning ahead will allow you to spend more time on the emotional aspects of losing someone dear to you, without adding the stress of untangling a financial mess.

In this module we will be looking at the loss of a parent who may be 70, 80, 90 or chronologically gifted and living well into the 100's. What different aspects of your life are affected at each of these ages? What financial decisions need to be made and with whom?

This planning process usually precedes planning for death of a spouse. It can be insightful for you to do your own planning as a couple, or, if you are single, for yourself. While there are different tax consequences for each situation and age of the deceased, there are also some commonalities.

However, when a spouse dies, survivors must make additional personal decisions related to lifestyle which would not occur on the death of a parent. These include, where will you continue to live, who will take care of your needs when you are older, how to protect the assets you are left with – or deal with the debt – and who will be at your side to ensure you are not taken advantage of in the meantime.

You will be guided through the steps that will be required to be taken by you immediately after death, within the first year after death and then the necessary steps to wrap up the estate. You will also have a better understanding of the financial milestones that must be addressed before and after death in order to enable a successful transition of property to the deceased heirs. These beneficiaries could include family, friends and community.

Planning Milestones – When Should I Start?

Planning with Parents

Anytime is good, but age fifty is an optimal time to start talking about what happens when your loved ones and those you care for pass away.

It is in middle age that people typically become caregivers for others and when they start to consider what would happen if their own estate planning was not begun. Almost half of all caregivers are caring for parents or their parents-in-law and are typically primarily (61%) age 45 to 64¹.

This means that the economic consequences of caregiving could be great and caregivers must be sure they have their own financial resources in order.

Think About It



- 13% of Canadians have taken time off work to care for aging parents
- 5% have had to quit their job to care for their parents²

² June 2019 <https://www.newswire.ca/news-releases/canadians-are-financially-unprepared-to-support-aging-parents-survey-shows-818318214.html>

¹ <https://www150.statcan.gc.ca/n1/daily-quotidien/200108/dq200108a-eng.htm>

These hours spent in caregiving, however, are opportune periods in life to start the conversations about what your loved one's wishes are (and perhaps best to mention your own so they don't feel like you are rushing them). Here are some sample conversation starters:

Checklist of Conversation Starters – Planning for Death of a Loved One

- I have signed off to become an organ donor; do you wish to do so as well?
- Have you ever donated blood? What was the experience like?
- Have you ever thought about a living will? (In other words, is a health care directive in place?)
 - Who should be the one to follow the health care directive?
 - Would you want heroic measures to save your life or would you prefer a Do Not Resuscitate (DNR) order?
 - If you had the option, would you want to die at home? (The pros and cons should be discussed)
- I have just put my will in place. Have you done so also?
 - If not, do you need some help?
 - Do you have a legal professional to assist you? Note: See Checklist: What should be included in a will.

- Do you have an executor? Who would they like your executors to contact if something happens?
- If there are any dependent or vulnerable family members, has a guardian been named?
- Is there any family medical history details that can be shared with others in the family or in the case of adoption or second (blended) families?
- What financial details do you want someone to know regarding your home, or investments, or even debt that you worry about?
- Is there a community purpose/charity you are particularly interested in supporting?
 - Is there a strategic plan for community giving?
- Will there be a tax problem we should be thinking about?
 - Is insurance in place to cover tax costs or other immediate financial consequences at death?

With each passing decade, it is more important to open and continue this conversation. However, there can be some natural triggers to make this conversation easier.

Action Item

Make it about the Memories... Now and Later

Money Tip

Tax season is a great time to discuss financial affairs for the prior tax year, review financial accounts and begin a conversation about tax efficient ways to transfer income and assets should something happen.

Financial planning with your elderly parents doesn't have to begin with difficult questions. After all, much of end-of-life planning, if not most of it, is about the *memories*.

- Encourage your parents and loved ones to talk about and/or document their life.
- What was their culture like as a child?
- Do they have any special memories of their own parents or grandparents?
- Did they have or do they have a favourite outfit or piece of jewellery that was given to them?
- Was there a favourite vacation?
- Ask them about why they chose their children's names. These will be special memories for families to cherish later, especially if you can video the conversation.
- Encourage them to mend broken fences as possible, say I love you or I am sorry when they have the chance.

- What type of funeral would they like? Have they set up a pre-paid funeral arrangement? Burial location preference?

These personal stories are a great segue way to monetary topics as well:

- Are they willing to discuss their own valued belongings – who would they most like to receive them? Would they write a list?
- Alternately, as they downsize their house or belongings, would they like to gift a family treasure while they are alive?
- Would they like to gift them to a charity?
- Can you explore together the pros and cons of joint accounts, gifting monies or possessions prior to death?
- What are the tax implications of holding registered accounts (RRSP, RRIF or TFSA) at death?
- What financial instruments do you need to put in place to protect hard earned assets?
- Do they have a unique investment policy statement or wish with regard to how their money is invested that should be shared with their executor?

- Are they happy with the relationship they have with their financial, accounting and legal advisors, or do they need help finding new resources?
- Do their trusted advisors work together with a common goal of saving tax dollars, both now and after death?

Together with the great memories, sound planning always begins with a documentation process. This can be a very difficult task if your loved one has cognitive issues or physical impairments which mean they can no longer speak for themselves, or is no longer here.

Action Item

Where would you find the important documents when needed? Where are the important legal and financial documents? Is there a safety deposit box? If so, where is the key?

One couple, as an action plan, shared their family tradition with their financial advisor: they kept all of their important documents in a small case and every time they left on vacation, they reviewed this with their daughter.

Think About It



- Do you have a family tradition to share about potential incapacity or death planning?
- Does your family know your wishes should you become incapacitated and can't speak for yourself?
- Who would you trust to be your Power of Attorney for Health and Finances? Are these the same person or two separate people?
- Who is your Executor and have you prepared paperwork to direct them properly with your wishes?

As your parent ages, (or as their health declines) their need for your assistance may increase greatly. *Now* is a good time to keep yourself well and to put your own documentation in place so that you can lead the discussion about end-of-life planning with conviction and experience.

Checklist – Will Planning

1. First and most important, name an executor or executors. Usually a family member, but this is not always possible or preferable. Ask your chosen person or people if they are willing to accept the role of executor. Tell them what your wishes are. Alternately, you may choose to appoint a trust company to act as your executor.

Action Item

Checklist: Financial Documents to Organize

- a. List of professional advisors and contact information: lawyer, accountant, financial advisors
- b. Location of Will and safety deposit box
- c. Name of Power of Attorney, Executor, Guardian and contact information
- d. List of Beneficiaries and their contact information
- e. Bequests of personal items
- f. Financial Inventory: Where to find important documents
- g. List of Assets, where to find ownership certificates and their Fair Market Value,
- h. Family list – addresses & phone numbers
- i. Funeral arrangements – details and special instructions, including thoughts on obituary
- j. Tax planning instructions – For example, depletion of RRIF or RRSP funds prior to death to reduce tax
- k. Probate planning
- l. Use of trusts
- m. Passwords for digital identities

2. Maybe second, but perhaps the most important, keep it simple unless you have a very large estate and make plans for different trusts to reduce taxes. Consider how time consuming and cumbersome it could be if you left your house to your 4-year-old grandson? That would stretch out an estate unnecessarily, for years.

3. Decide on what property/ assets goes to whom. Will you split everything equally for your children? Do you want to include grandchildren? Any special friends?
4. If any of your beneficiaries are under 18, 21, or 25 will you leave their inheritance by way of a trust?
5. If you have younger children or grandchildren dependant on you, name a guardian.
6. Any special charities (religious, social, health related organization)? Bequests can be made in your will.

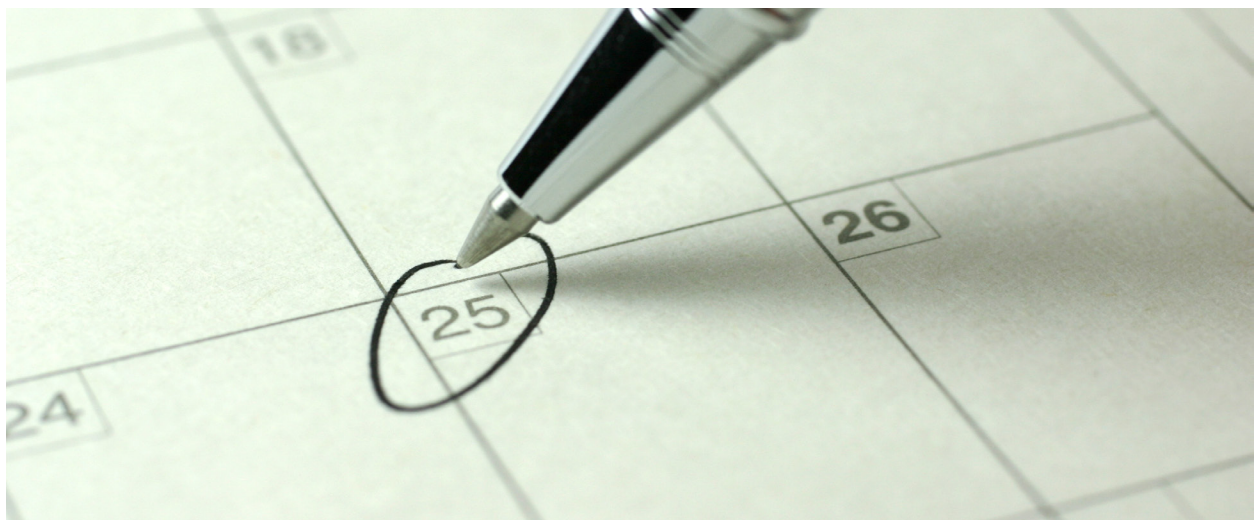
Aside from the will, you may choose to donate your body or human tissues or organs for research. Make certain your loved ones know this. Sign a donor card and keep a copy in your wallet. Alternately, you can sign up at www.beadonor.ca

Action Item

Aside from the financial responsibilities, plan to keep connected with a network of caring people around your loved one. This is important. It often takes a group of people to adequately care for the sick and dying.

Consider these caregiving and networking requirements:

- Make physical or financial arrangements with work for time off if needed.
- Talk to your children and grandchildren about ways to cope with the loss of a loved one and how they can help you provide care.
- Are there social service agencies who can assist with care or finances if required? If your parent is a veteran, Veteran's Affairs can and will help with many required items.
- Speak to a qualified tax accountant about tax assistance before and after death.
- Look ahead at what life might look like without your parent or spouse. Perhaps you can set some goals now to make decisions easier later, and to organize your own life events around the probability of increasing time commitments.



Action Item

Conversation Stepping Stones for Parents Regarding End-of-Life Issues

Financial issues and concerns change when a parent's death happens at different lifecycles. Consider the following conversation starters and be sure to have them as you reach each decade in later life.

Age 50-60

Age 70-80

Age 80-90

Over Age 90

Age 50 to 60

- Guardian for any dependant children, grandchildren or others
- Family home and/or cottage – succession preferences and plans
- Income replacement/supplement for survivors of those who pass away while still employed
- Trust funds for children or grandchildren to assist with education costs

Age 70

- Transfer of cottage - Family Trust? Gifting? Sale to a third party?
- Set up separate accounts for costs of cottage and other precious family assets
- Life insurance policy to protect principal amount of RRIF at death, family cottage, other assets
- Set plans in place to protect against probate fees

Age 80

- Veteran's Affairs – assistance may be possible
- Distribution of assets prior to death – include charitable gifting
- Set up bequests to favourite charities – gift shares or mutual funds to eliminate capital gains
- Set up health/caregiver fund savings account
- Look ahead at tax or probate implications due to death with existing assets. Set plans in place to mitigate these

Age 90

- Gifting of assets and belongings as parent downsizes living arrangements to family members or favourite charity
- Continue to fine tune all points from previous decades as required.
- Ensure the power of attorney (when in place) understands what has been set in place and continues in same direction



Conversation Stepping Stones

Action Item

When Your Parent Dies

Age 50 to 60

Following up on the stepping stones that you have taken to be prepared, now is the time to act on the plans you have put in place. If your parent passed away young there may be a number of additional details to take care of.

1. Arrange for the care of any dependant children (guardian named?). This will need to be completed with the assistance of a lawyer
2. Inform employer, review what employment benefits are due to the estate. Is there life insurance, death benefits? If they have dependents, can medical benefits continue? If they died at work or from work-related causes, are they eligible for Worker's Insurance?
3. Protect business assets, if applicable
4. Apply for CPP child benefit if applicable.
5. Cancel subscriptions
6. Inform mortgage broker
7. Inform insurance – make arrangements as required if the home will be vacant.
8. Change recipient name of CCB
9. Cancel social media accounts. If you know their password, this is very simple, if not you will need to send a death certificate to the company. They will cancel the account.
10. Review RDSP's. Change holder's name as required.
11. Review RESP's. Change owner's name as required.

Age 70

1. If your parent resided in a home they owned, contact the mortgage broker as required. Inform the insurance company and make any necessary changes. Ensure the house is checked according to insurance requirements if vacant. Most policies require frequent visits if the property is vacant in order to maintain coverage or required a special Vacancy Certificate.
2. If your parent's living arrangements have included living in an apartment facility, make arrangements for rent. Decide how long you need to clean and sort, usually a 2-month notice is required, is that sufficient? Change the insurance if required.
3. Make arrangements with Canada Post to have mail forwarded.
4. Change your parent's address with Service Canada. Even though the funeral home may have helped you inform CRA of the death and made arrangements for CPP death benefit, this does not change the address with Service Canada.
5. Know that the tax slip for Old Age Security (T4(OAS) arrives much before the usual date. Be certain to keep it for tax time.

Age 80 Plus

As above. If your parents lived in a nursing home or long-term care home, review required payments left, cancel living arrangements, remove belongings. Return, donate or sell any special geriatric chairs or equipment.

Helping Those We Leave Behind

Action Item

Bequests

Gifting to your favourite charity continues your helpfulness after you have passed. Whether claimed on a final return or trust return, the non-refundable tax credit is the same percentage. Over and above the fact that gifting to charities follow the deceased individual's wishes, they also have the advantage of saving tax dollars on the final or estate return. The following is the non-refundable tax credit rate that may be applied to reduce federal tax. A provincial tax credit is also available but will vary depending on the province of residency.

First \$200 – 15%

Over \$200 – 29%

If 2021 annual income is over \$216,511 - 33%.

These income amounts are indexed every year; for 2022, for example the upper federal tax bracket begins at \$221,708.

Donations are limited to 75% of net income (line 23600 on your T1 Tax Return), and any unused donations may be carried forward and applied to reduce tax in the following 5 years. Donations made in the year of death or through bequest may be claimed up to 100% of income in the year of death and any unused portion may be applied against 100% of income in the year prior to death.

Money Tip

Pre-plan your funeral arrangements.

Cremation, burial? Where do you want the service – religious site, funeral home, outside? Do you have favourite hymns, songs or poems that you would like included? Funeral arrangements are discussed in further detail in Module 11.

Money Tip

Advantages of gifting shares or mutual funds to charity.

The non-refundable tax rates are shown above. There is a way that your charity donation can net even more tax savings. Consider this:

Gifting the actual stock or mutual fund shares directly to the chosen charity. This allows for the charitable receipt at the FMV of the share plus it eliminates the need to declare any capital gain triggered on the disposition of the shares.



Action Item

Decisions to be Made

Principal Residence

When making decisions, it is strongly recommended that this is discussed with a tax professional.

1. Determine if this was the only property for all years owned. If yes, make a decision.
 - a. Will house be sold?
 - In order to designate the home as a principal residence throughout the entire period of ownership, the home would need to be sold within the 1st year following death.
 - b. Will it be kept in the estate and rented?
 - To a family member? – at FMV or lower?
 - To an unrelated party?
 - c. Will it transfer to a beneficiary?
 - Sold at FMV – record disposition proceeds and adjusted cost base
 - Deemed disposition – disposition is required to be at FMV. A capital gain may result, but principal residence exemption may still be available.
- If no, locate past years' tax information.
- Was there another property that was designated as principal residence? How many years?
 - Capital gains calculations will need to be completed on one or both properties depending on details. Previous decisions cannot be reversed. It is important to note, if another property was sold and not designated and no capital gains declared, it will be deemed to have been the principal residence.

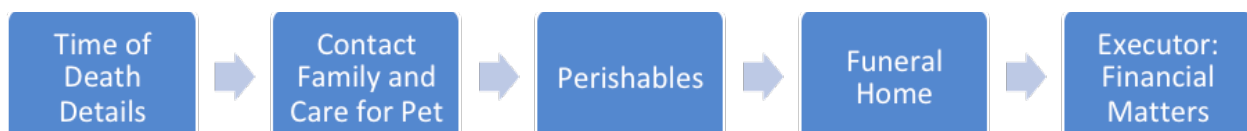
First Decisions To Be Made

Your parent, the surviving spouse has just passed away. What do you need to do first? If your parent was not in the hospital or other facility, the authorities need to be contacted first. Call 911. This will lead to first responders arriving to assess the situation and contact the coroner. The police will be involved. Not to panic, this is a necessary step to ensure there was no foul play.

Did your loved one sign a donor card? If so, discuss this with the first responders in regards to how to best proceed with this.

The next step is to inform family and friends and in particular, the Executor. That person's job is to locate important paperwork such as the will, funeral arrangements (if pre-planned) and list of trusted financial advisors. Please see prior Module on Protecting Health and Assets for Executor instructions and checklists.

The executor will want to locate and secure your parent's belongings, including safety deposit box, valuables and financial assets. He or she may ask family and friends to help with details



like checking the fridge for perishable food items that will save you a mess later.

And don't forget the beloved pet... this is an immediate consideration!

The executor will also contact the chosen funeral home stated in the funeral pre-arrangement or choose one. Funeral arrangements can be very elaborate or very simplistic. The personality of the loved one who passed is often reflected in this.

If the funeral wishes of the deceased have not been pre-arranged or pre-paid, you will have decisions to make. Is there a budget? Funeral costs can range anywhere from \$2,000 to \$20,000. Did your parent leave enough money to cover costs? If so, the executor or co-owner of a bank account should be able to access this.

CPP Death Benefits. If your parent worked in Canada, there may be a CPP death benefit of \$2500³. This will help cover funeral costs. Should funds not be available, the decision will have to be made as to how to cover costs.

Money Tip

To qualify for the death benefit, the deceased must have made contributions to the Canada Pension Plan (CPP) for at least:

- one-third of the calendar years in the contributory period for the base CPP, but no less than 3 calendar years, or
- 10 calendar years

Death Certificate. This is a very important document which originates with the Funeral Home. This will be required for a variety of reasons to close out the financial affairs of the deceased.

³ <https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-death-benefit.html#h2.2>



Action Item

Checklist – Assistance Possible from Funeral Home

- **Provide Death Certificate:** The funeral home will usually provide as many as required – you will need an original copy of this when informing any financial organizations and government agencies about the death of your loved one.
 - Gather information required for death certificate. Go prepared with all required information such as SIN, full name, birthdate) and documentation to verify.
- **CRA:** Inform Canada Revenue Agency of death. This includes cancelling SIN and request to stop tax benefits such as GST and provincial credits.
- **Obituary.** Assistance with writing an obituary.
- **Contact Service Canada** to advise of death to stop OAS and CPP and apply for CPP Death Benefit.
- **Passport.** Cancel passport.
- **Veterans.** Contact Veteran's Affairs
- **Counselling.** Offer grief counselling at no additional charge.
- **Digital Footprint.** Your loved one may have several digital passwords and a social media presence.

Did You Know?

The Power of Attorney (POA) can make decisions on health or finances prior to death. This ends when a person who has designated a POA passes away. The authority then switches to the executor. This could be, but does not have to be, the same individual(s).

After the Funeral:

What Does the First Year Look Like?

The funeral is over. What are the next steps to take in the first year after death of your parent?

It is the role of the Executor to clean up the financial affairs left upon the death of the individual and to understand the tax consequences. These details will be discussed now, and for these purposes the assumption will be that you, the reader are the Executor for your parents or spouse, or the surviving person who must still appoint an Executor to handle these details later for you.

You will see that this is a big job and not everyone is suited for it.

Action Item

Get several copies of the Original Death Certificate

Working with Lawyers – after death – what documentation is required?

The first financial advisor to contact after the death of an individual is the lawyer who may hold the documentation needed by the Executor, including the Will. The lawyer will be responsible

for working through the logistics of satisfying the wishes of the deceased as stated in the Will. In order to start the process, they will need an original death certificate from the funeral home.

Action Item

Get several copies of the Original Will

The will and the documents that appoint the Executor will be needed by financial institutions and by the government to initiate the CPP Death Benefit.

Also, in order to assess whether or not there is a need to satisfy the provincial probate requirements, a list of all assets owned by the individual should be provided to the lawyer. This includes real property, vehicles, investments, collections, family heirlooms and business assets to name a few. Obtaining FMV of all assets as of the date of death from the associated professionals (financial advisors, realtors, business valuers) will be very beneficial in helping calculate the estate's worth. As the lawyer reviews and adds to the list as required, they will ascertain which property has to go through probate.

It is important to mention that any property with a named beneficiary does not go through the estate, but rather goes directly to that named beneficiary. The advantage of this is that it eliminates it from the probate process altogether.

Also, insurance proceeds that have a named beneficiary will go directly to that person after death. The insurance company will require a copy of the death certificate for these purposes.

Action Item

Contact the financial institution and financial advisor

Talk to your parent's bank manager and financial advisor(s). You will need to access bank accounts to pay for the funeral and other expenses. It's important to gain access to chequing and savings accounts. Make an appointment at your parent's bank for these purposes and plan to spend an hour or more to get all the banking arrangements in place.

If you do not already have a print out of investments and their values as of the date of death, obtain this now from the bank or your parent's financial

advisor. If these are not large amounts, you may choose to move funds into a non-income producing account if you are going to disburse income shortly. This may make it so that a trust return is not necessary.

Money Tip

Working with the financial institution – What Documentation is required?

The executor should contact the financial advisor or bank shortly after death to inform them of their parent's passing. The financial advisor will require an original death certificate and a copy of the Will to verify that their client has passed. The Will is important. This verifies that they are working with the designated executor(s). If your parent had investments with multiple fund companies, each company will require this documentation. The will also indicates to the fund companies who should receive funds and will help facilitate accurate disbursement to the rightful beneficiaries.

Depending on the size of the estate and the company policies, the Will may need to be notarized by the lawyer.

Action Item

Little or no investment income, or accounts

- Get tax advice from a trusted tax specialist well versed in preparing final returns before moving RRSP's and RRIF's into non-registered (cash) accounts if no beneficiaries are named.
- Discuss plans for disbursement, who the beneficiaries are and a possible time frame for the transfer to happen. If there are multiple advisors, is it best to leave everything as is until disbursement or consolidate funds? It is important to obtain a clearance certificate from the CRA before any disbursement of funds to beneficiaries. See below.

Your tax advisor (or your parent's advisor) will review the information and claim income on the appropriate return. More information on the tax consequences at death follows.

Did You Know?

Funeral expenses are considered to be a personal expense and, as such, are not deductible on the final tax return.

Sorting through personal belongings, cleaning residence. There may be some valued treasures that your parent wished to leave for each of their children, grandchildren or friend. Label these and distribute to them first.

Action Item

You may wish to hold a family meeting to discuss the distribution of personal belongings. There may be hurt feelings that can be avoided with a proper communication plan on this sensitive matter.

Distribute other belongings to family members if requested (remember to discuss this with others before you do this). Sell or dispose of other items via social media marketplaces, garage sale, auction, consignment or to a charity organization.

Money Tip

Does the charity organization provide a donation receipt? Some do. Also, if the deceased parent owned important cultural property to be donated to a university or a museum, a charitable receipt may be possible.

If at all possible, enlist the assistance of family members or friends to help you tackle this monumental task. It can be definitely be tough physically and emotionally!

Decisions about the parental home.

For parents who still lived in their own home (most likely a younger parent,

however many seniors are opting to stay in their homes with assistance), a decision will have to be made. Will the home be sold, will a family member continue to live there, or will it be kept and rented out? Any of these may be the right option. If the house is designated as a principal residence throughout the period of ownership and sold within one year, it maintains its personal residence status, therefore there is likely no tax owing upon the sale.

Money Tip

If there was more than one personal residence, it is possible to choose which one is the tax-exempt principal residence. This can be a complicated decision and requires the help of a tax professional.

When a child inherits a parent's home. The tax status of the home changes with ownership, in particular if you keep the house and do not live in it. If you live in it and have no other principal residence, the property may become your tax-exempt principal residence. Ask your trusted tax advisor for assistance with the implications of whatever choice you may be

pondering. No matter what you decide to do, the house transfers at death at the fair market value and that becomes the original cost when you (or the estate) actually sell the property.

Money Tip

What to do if a parent dies and leaves debt.

- These debts do not become debts of the executor or beneficiaries but stay as debts of the estate.
- If a creditor can prove that your deceased parent owes them money, they can make a claim on the estate.
 - If this occurs, these debts have to be paid out before any money is transferred to a beneficiary.
 - If your parent left no assets (or not enough assets to cover the debt owed), you are not obligated to pay these debts.
 - If a creditor attempts to collect this debt and is, perhaps harassing you, you are within your rights to locate the local consumer protection office and file a complaint.
- If there was a joint owner (or co-signer) on the debt, this individual is now responsible for the debt.

Tax Consequences: Real Life Examples

A few examples will help you think about the real-life tax consequences you will need to think about when a parent dies.

Mom, who is 90, passes away and leaves her \$1,000,000 home to her daughter. Daughter already has a home. What are the tax consequences?

Provided that the home is designated as the principal residence of the Mom throughout the period of ownership, no income tax should result. There are no inheritance taxes in Canada so you will not pay any tax to take over the property however provincial land transfer taxes may apply on changing the title to the daughter.

If you choose to move into the home, you will take over all property tax, utilities and upkeep expenses. It will become your primary residence if you do not have another property you have designated as such (providing you own both at the same time). The property is deemed to transfer to you at fair market value (FMV) at the time of your mother's death. If the home is designated your principal residence throughout the time you own it, there will be no tax owing once you sell it.

If you choose to not live in the home, there are a couple of options. The first is to sell the residence within one year. In this case, the home maintains its

Money Tip

Tax Matters To Know About On Death of a Loved One.

1. When someone dies there is a deemed disposition at the time of death at fair market value (FMV) of investments and many personal items owned by the deceased. This will bring tax or probate consequences.
2. A final return is filed from January 1 to date of death for the person who has died. This has to be filed to report income as at the date of death.
3. There may be other "optional returns"
 - a. **Return for Rights or Things.** The most common of these is called a "rights or things" return. It is prepared and submitted on the same tax form you would normally file every year. There is a requirement to indicate on the front page that it is different from the final return. The benefit of filing a rights or things return is that it decreases the taxable income on the final return by removing income that is due to a taxpayer prior to their death but not paid out until after they passed away. You can even claim the personal amount again for the same taxpayer. This allows for more income to be earned before any tax is due.

A common example of income that can be reported on a rights or things return OAS benefit payments. As these are paid near the end of every month, if the taxpayer died early in the month, amounts that were due and payable before the date of death can be claimed on this separate return.
 - b. **Return for Partner or Proprietor.** If the taxpayer was a sole proprietor or a partner in a small business that has a year-end other than December 31st and they passed away after the business year end and before the next year end, income earned in that time period can be removed from the final return and reported on an optional return. This return is called the "return for partner or proprietor". It is also filed on the same form as any personal return and identified as this type of return on the front page.
 - c. **Graduated Rate Return (GRE).** If the deceased person was a beneficiary of a graduated rate estate that has a year end other than the calendar year, this may allow for another personal return. Income received after the end of the fiscal year of the GRE but prior to death may be included in a separate return.
4. **Deemed Disposition.** There is a deemed disposition of all assets and pension plans at Fair Market Value (FMV) at the date of death. Executors must have a listing of the assets and determine what the FMV is.
5. **Tax Free Rollover to Spouse.** When there is a surviving spouse who becomes the beneficiary of the property, there is usually a tax-free rollover of assets from one spouse to the other at the Adjusted Cost Base (ACB), although there may be reasons why the fair market value (FMV) should be used instead. For example, there may be capital losses to offset capital gains taxes on the final return. In these cases, you may wish to consider bumping up the cost base of an asset to reduce taxes to the survivor later.
6. **New Cost Base to Survivors.** The ACB or FMV become the "cost of acquisition" for the surviving spouse or heirs.
7. **Life insurance proceeds are tax free.** There may be interest earned by the insurance policy that is taxable income for the estate.
8. **Principal residence exemption.** There are no taxes on the disposition of a tax-exempt principal residence, but that residence might become a second, taxable residence to the heir. Discuss the timing of disposition or transfer to a beneficiary with your loved one's trusted tax advisor.
9. **Deferred Tax Payments.** There is relief process available. If the executor must sell assets to pay the taxes on the final return, it is possible to apply for relief to preserve those assets, however interest is charged from the due date to the date the tax is paid in full:
 - If you want (or need) to delay payment of tax owing at death, you need to give CRA security for any amount owing. The required form to do this is *T2075, Election to Defer*

Payment by a Deceased Taxpayer's Legal Representative of Trustee. This form allows the estate representative to pay owing in up to ten equal consecutive instalments. The first of these instalments is due to be paid on or before the date that the calculated tax is due for a deceased taxpayer's return. This form can alleviate the issue of having to sell or dispose of property to pay tax owing. This property becomes security to CRA. Details on these arrangements must be made through applicable CRA Collections Section (dependent on where the deceased taxpayer resided). <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t2075.html>

- When a taxpayer dies, executors can elect to create a Graduated Rate Estate or GRE. The Graduated Estate Trust Return is a T3 tax return. Most trust returns are taxed at the highest personal tax rate, both federally and provincially. However, the income earned from a trust created on a taxpayer's death (i.e. GRE) is taxed at the same graduated rates as individuals (without a personal exemption credit) for up to 3 years. Note, however, there is only one GRE return allowed per estate. Any other trusts created will be taxed at the highest tax bracket. This return is sometimes optional (CPP Death benefit) however, some income earned or received after death necessitates filing a T3 return.

principal residence status and, as such, does not trigger any tax when sold.

A second option would be to keep the home as a rental property. By doing this, you will trigger a change of use disposition. Be certain to get an evaluation of the FMV of the home as at the date of death. This will be the starting value of the property as owned by you. When you do choose to sell, this value will be the starting point or adjusted cost base (ACB) used when calculating capital gains. The value of the house and its furnishings (excluding the value of the land) will also be the basis whereby you may claim capital cost allowance (depreciation) when measuring your annual rental income.

Dad, age 78, lived in a nursing home and paid rent there. He had \$150,000 left in a RRIF and \$250,000 in a Registered Pension Plan that was converted to a LIF. There is \$250,000 in life insurance and a family cottage worth \$1,000,000 (never claimed as principal residence) that has increased in value by \$500,000. His heir is his only child, a son, who is a doctor. What are the tax consequences on the final return, and for the son, who is 58?

On Dad's final return, the \$150,000 RRIF and \$250,000 LIRA instantly become taxable income. The cottage's \$500,000 increase will be taxed as a capital gain so \$250,000

will also be added as income on the final return. In Ontario, the resulting tax on this taxable income of \$650,000 (\$150,000 + \$250,000 + \$250,000) would be almost 49% or approximately \$310,000. A tax professional should be consulted about whether a medical expense credit for nursing home costs and/or a disability tax credit should be claimed.

The \$250,000 life insurance is not taxable and, as such, will be helpful in paying the majority of the tax bill. Note however, this would only be the case if the son or the estate was the beneficiary of the life insurance. The son could cash in some of the RRIF or LIRA to pay the remaining \$60,000.

If the son chose to keep the cottage it would transfer to him at FMV. When he sold the cottage in a future year, the \$1,000,000 would be his ACB when calculating capital gain on his return.

Upon the death of their parents, who died tragically in a car accident, Sue and Tom received a lump sum CPP death benefit of \$2,500 for each parent. How is that reported and by whom?

The CPP Death Benefit is never income of the deceased taxpayer. It becomes income of the estate and is

reported on the Graduated Rate Estate (GRE) trust return. Alternately, the recipient of the death benefit can claim this as their own income. Claiming on a GRE return can be very tax efficient if the recipient of the income is a high-income earner. This is due to the fact that, on a GRE return, it would trigger tax at the first (lowest) tax bracket.

CHECKLIST: Working With a Tax Advisor – What Documentation is Needed?

To wrap up an estate from a tax point of view, it's important to provide the following information

- 1. Prior year tax returns (10 years back)**
 - **Errors or Omissions on Prior Filed Returns.** The tax advisor will review these returns to check for accuracy. Should there be an opportunity to file for an additional tax refund this can be completed for these years. The tax advisor will also find all carry forwards, such as capital losses, that could minimize tax owing on the final or optional returns.
 - **Medical Expenses.** Over and above the usual receipts and slips, the tax professional will ask for the last 24 months medical expenses (up to 24 months ending at the date of death can be claimed on the final return).

- **Health details:** Was there a health issue that interfered with daily living skills? If so, and the Disability Tax Credit (DTC) was not previously applied for, this can happen after death. The DTC form is completed by a doctor and submitted to CRA for their approval. If okayed by CRA, up to 10 years' returns can be adjusted if the disability started prior to the year of death.
- **Charitable donations.** Donations made by will are deemed to be made by the estate and in some cases by the GRE. Certain "designated donations" include donation of RRSPs, RRIFs, TFSAs and insurance policy benefits. In these cases, CRA notes that it is possible to claim the donations in:
 - the tax year of the GRE in which the donation is made
 - an earlier taxation year of the GRE
 - the last 2 taxation years of the deceased individual (the final return and the return for the preceding year)

2. Personal Net Worth Statement with value of assets and debt as of date of death

This is important information to the advisor as it will indicate if all taxable property, investments and income is included as necessary on the final

or optional returns. Any capital gains will be calculated from the value as at the date of death versus the original value (ACB).

3. Was their capital property owned in the early 1990s and still owned as at the date of death?

If this is the case, locating past tax records and appraisal documentation may allow for reduced capital gains on the deemed disposition of property at death. In 1993 and 1994, there was an opportunity to 'crystalize' capital gains through the use of a capital gains election. Look for form T664.

4. What's involved with transferring CRA accounts to tax advisors?

If you continue to work with your parent's trusted tax advisor, who has an authorization previously filed with CRA, there is no need to renew this. Authorization continues past death, but must be certified by the executor. Informing CRA of the death and submitting an original death certificate and a copy of the will death will provide CRA with the additional information required to verify your new authorization. See

Representative authorization, for more information. If the certifying authority for an authorization request is a legal representative, it will not be necessary to log in to the deceased's My Account or My Business Account to confirm the authorization request. If they are not already the legal representative, form RC552 should be completed and sent with the Will and death certificate to CRA in order to get this representation set up. This form is to be submitted to the applicable Authorization Services Unit of CRA.

Should you decide to work with a new tax advisor, the legal representative of the estate (once approved by CRA) will need to authorize the tax advisor to represent the estate to CRA. The form to be completed to facilitate this is the AUT-01. The tax advisor can submit this through the EFILE

process once they have a signed copy by the executor in their records.

Alternately, the tax advisor can submit the AUT-01 electronically through the Represent a Client portal at CRA, however new procedures are to be introduced in 2022. The tax advisor will guide you to provide the required documentation for authorization. The slowest method of submitting this form is via mail. Note however, when this form is submitted by mail, the representative can only access information by phone, mail or by fax with no online access available.

For more information see the CRA site:

<https://www.canada.ca/en/revenue-agency/news/newsroom/tax-tips/tax-tips-2021/new-confirm-representative-using-my-account-or-my-business-account.html>



CHECKLIST: Tax Consequence at Death of Your Parent

Type of Asset	Taxable?	To Whom?	How Much/Special Rules
Cash	no	no	
Death Benefit from Employment	Over \$10,000	Elective returns	First \$10,000 can be is tax free
OAS	yes	Elective returns	Final return – all OAS received prior to death Rights or Things return – option of transferring amount due and payable after death
CPP Retirement Benefit	yes	Elective returns	Final return – all CPP received prior to death Rights or Things return – option of transferring amount due and payable after death
CPP Survivor's Benefit	yes	Survivor	Taxed in the hands of the survivor.
CPP Lump Sum Death Benefit	yes	Estate or Beneficiary	T3 GRE trust return or in the hands of the beneficiary
RPP	yes	Final return	Final return – all RPP received prior to death Rights or Things return – option of transferring amount received after death.
RRSP, RRIF and LIRAs	Yes	Final return	If no surviving spouse or dependants, the total amount of RRSP, RRIF or a LIRA becomes taxable.
TFSAs	No	Elective returns	Any interest earned after the date of death may be taxable to the estate. Can be transferred tax-free to beneficiary.
RDSPs on death of holder	No	Several issues	Grants and bonds go back to government; income earnings are taxable to the estate. Original contributions attract no tax as they were not deductible.
Non-Registered Accounts	Yes, on income	Final return and/or Estate on income after death	Income is taxed to date of death. Deemed disposition at FMV as of date of death will trigger capital gains or losses. No tax on principal.
Dividends from Small Business Corporation	Yes	As above	Investment income. May be claimed on optional T1 Trust Return.
Principal Residence	No	As above	May become taxable capital property, if change in use of property after death (e.g., becomes rental property)
Life Insurance	No	As above	May be some taxable interest.

Rental Properties	Yes	As above	Deemed disposition at FMV as of date of death will trigger capital gains or losses.
Vacation Properties	Yes	As above plus foreign income reporting	Deemed disposition at death. Capital gains calculation on increase in value since purchased, unless designated as a personal residence. If foreign-owned, may be subject to that country's tax laws.
Family Heirlooms	Possibly	Final return or elective returns	If sufficient value, may trigger probate fees and/or capital gain calculations if personal-use property over \$1,000.
Business Assets	Possibly	As above	Calculated on business schedule of final return. If shares of a small business corporation, may be eligible for the lifetime capital gains exemption.
Foreign Assets	Yes	As above	Deemed disposition at death. Capital gains calculation on increase in value since purchase. May be subject to that country's tax laws.
Other Assets	Possibly	As above	May be subject to probate tax in specific jurisdictions.
Credit Cards	No	Several issues	Debt of the estate and not a debt of beneficiaries. If beneficiary is a joint owner of account the debt becomes theirs. There may be some interest deductibility on final or elective returns.
Lines of Credit	No	As above	As above
Margin Accounts	Yes	As above	Deemed disposition at death, loans to be paid out. There may be some interest deductibility on final or elective returns.
Tax Debt	No	Estate	Debt of the estate. Has to be paid out prior to transferring funds to beneficiaries. Interest not deductible
Long Term Debt	No	Estate	Debt of the estate. Has to be paid out prior to transferring funds to beneficiaries. There may be some interest deductibility on final or elective returns.

Money Tip

Tax Consequence at Death of a Parent: No Surviving Spouse vs. Surviving Spouse

The chart above shows the tax implications if your parent has no surviving spouse. Should there be a surviving spouse, there are tax saving rollover provisions. To best illustrate this, compare these two scenarios.

Example 1: Mother dies with \$200,000 RRIF and \$15,000 capital gains on investments (deemed disposition at death), father is still alive or there is a dependant beneficiary. Note: This would also be accurate if your spouse dies.

The RRIF can rollover tax free to father and, as such, no income on this has to be reported on final return. The investments can be transferred to father at original cost (ACB) or the current value (FMV) to trigger as much or as little tax as best for their particular situation. Your trusted tax advisor will calculate how much tax would be owed now versus later (when father cashes in investments) and will provide advise accordingly.

NOTE: The transfer of a capital property to a spouse on death may be done at FMV or ACB but not at an amount in-between. The work around if one wishes to transfer at a value in-between is to transfer some of the investment at FMV and some at ACB. To the surviving spouse their ACB must be averaged as identical properties. Speak to a tax specialist about these options.

Example 2: Mother dies with the same \$200,000 RRIF and \$15,000 capital gains, father has previously died and no dependant beneficiary. Note: This would be the same scenario if you passed away with no surviving spouse or dependant.

In this case, there is no rollover possible. The \$200,000 RRIF and 50 percent of the \$15,000 become taxable income on the final return. This income alone could trigger approximately \$75,000 in combined federal and Ontario tax. That, sadly, would take a big chunk out an inheritance! As these numbers change every year with indexing, it is best to have a tax specialist prepare exact calculations.



Planning With Your Own Spouse

Many of the same topics discussed with parents should be discussed with your spouse throughout the years. These often take the form of shared planning as opposed to fact finding missions. There are some natural triggers for that.

Many couples choose to write their Will when they purchase their first home, for example, or have their first child. If you have reached your fifties and have not completed this, seriously consider doing this now. What can you decide as a couple to make things easier for your children or executor at your death? Or, when the last spouse is left behind, if you do not have immediate family members

to leave assets to, what individuals or organizations would you like to include in your will?

Action Item

Planning Ahead

- Review your investment strategies often with your financial and tax advisors.
- Are you contributing enough or too much to RRSP?
- Would you be wiser to put those same funds into a TFSA?
- If you have started to withdraw from your RRIF investments, have you discussed what happens to that money when you die with your trusted tax advisor? If you have more RRIF monies invested than you need each year, what strategies can you put in place?
- To avoid a large income inclusion on the final return – and an over 50% tax rate - consider a strategy to report RRSP and/or RRIF funds annually, if income during your lifetime is at a level less than the top marginal tax bracket.



Money Tip

In general terms, one must balance the benefit of early withdrawal from registered plans (i.e. Lower tax rate than may be applied on final return) with the lost opportunity of tax deferral on early withdrawal. For example, if life expectancy of last to die spouse is 20+ years and income before early withdrawals high (i.e. 30%+) the loss of tax deferral on early withdrawal may exceed the reduced tax rate on early withdrawal. Remember the objective maximization of after-tax wealth along the way and on the final returns.

- Perhaps set up an insurance policy to offset any tax owing on registered funds when you pass away or utilizing your TFSA contribution room to transfer funds.
- Let your children or executor know where to find your important paperwork as needed. Tell them who your lawyer is. Let them know if you have a safety deposit box and where it is.
- As you and your spouse age together, you may choose to gift monies, treasures and assets to loved ones or plan a bequest to your most treasured charities.

Age 50 to 60

- Mortgage insurance or life insurance – enough to cover remaining mortgage for surviving spouse
- Monies in trust for dependant children – under age or disabled adult
- RRSP or TFSA - to help replace deceased spouse's earned income to retirement
- Health insurance – possibility of continuing employment benefit

Age 70

You may have built up a nice nest egg. If you haven't already, discuss the possibilities with your entrusted financial planner and tax professional. Can you set up the funds to be as tax efficient as possible or plan a bequest to a charity? Name a beneficiary or beneficiaries for each registered account.

Now is the time to plan withdrawing (if you haven't already) your RRSP or RRIF funds you so diligently set aside for retirement. Also, your RRSP's will no longer be an RRSP, but will need to be transferred to a RRIF. This just means that you will be required to withdraw at least a minimum amount each year.

Now is the time to start receiving the reward for planning ahead! Withdraw enough each year to enjoy the things you most want to do, but keep in mind you want this to last most of your life.

Why did I say most of your life? The reason is simple, the best-case scenario is to have no RRIF monies left when you pass away. That's because this money is fully taxable on the return of the last surviving spouse, or in the case of a single person who passes away. This can result in the lost of 50% or more of the money in the plan to taxation and at the expense of a legacy you had meant to leave for heirs.

Other points to consider:

- Company Pension – should there be a lump sum payout, with the tax consequences that will incur, or are you able to leave a percentage as survivor benefit
- Government pension – CPP survivor's benefit and lump sum death benefits are available
- RRIF – to offset reduced family pension income or travel fund
- TFSA – to continue to grow tax paid RRIF or CPP/OAS receipts on a tax-free basis
- Private health or life insurance

Age 80

Do you have grandchildren (or great grandchildren) or other loved ones in your life you would like to assist with education costs or the purchase of their first house? Now is the time to make those arrangements. You can perhaps pay their tuition (your dependants can transfer their tuition credits to you to claim on your tax return) or by setting up an account in trust for them. Some individuals have created a trust to be used exclusively by their grandchildren and others for their education.

Many of you will be blessed to have reached this age and realize that your money will outlive you. There are many tax saving methods for high-net-worth individuals. You can set up trusts to transfer monies from yourself to minimize probate. There are insurance strategies which can be put into place to offset the large tax implications of a large RRIF balance at the end of life.

Is it time to sell the house? Are there high valued items or assets you would like to gift a child or grandchild while you are living? Money can also be gifted to your grown children or grandchildren. You can give them as much as you like with no tax consequences. By doing so, you may eliminate the need for probate.

Tax Tip

Gifts of capital property are deemed disposed of at FMV and could result in a capital gain to the giftor. Be sure to speak to a tax specialist about the categories of assets subject to capital gains treatment.

Money Tip

Another point to consider is a health savings account for surviving spouse

Age 90

Your wants for any worldly possession may be minimal now. However, you may have high medical costs.

If you have your funeral arrangements complete, will in place, beneficiaries named, gifting completed or ongoing, you can sit back and know that you have completed the steps to make your passing easier for your family. The heartache will still be there, but the struggles of accomplishing the financial decisions have been made for them.



When Your Spouse Dies

The death of a spouse, although in many ways, results in many of the same response requirements, there are also many differences. These differences will be discussed in this section.

Real Property: If you are younger or if you continue to reside in your home, there are no tax implications when your shared principal residence transfers to you. Your spouse's share of the home is reported as a deemed disposition on their final return. You can choose to transfer the home at the original cost or the fair market value (your tax advisor will provide guidance on this). If this has been your only residence and is likely to continue to be your only home, the transfer usually happens at fair market value.

If you and your spouse owned a home plus a cottage, your tax advisor can calculate the best property to claim as their principal residence on a year-by-year basis (often the one that has incrementally gained the most in value). Capital gains may be payable on the increase in value since purchase. This can be a complicated exercise, but often can save a lot of tax!

Your tax advisor will use form T2091 to compute this.

Investments: Shares and Mutual Funds If you owned shares jointly, your spouse's portion can transfer directly to you. You can choose to transfer at fair market value or the original cost. If you receive the funds at their original value, there are no tax implications on your deceased spouse's final return. However, by doing this, when you sell the investment, the full capital gain will be yours to report. If your spouse was in a higher tax bracket, it may be advisable to transfer the investments at their cost.

However, if your spouse's income was low (or they have unused capital losses to offset the gain), it might be advisable to transfer at fair market value since the resulting gain would cause few or no tax issues on the final return. CRA has stated that each individual share can be treated differently. That essentially means the shares can be transferred at any value between the original cost and the fair market value.

Any shares or mutual funds held solely by your spouse can also transfer in the same manner as above. The decision as to how to value these

needs to be made. Any income earned by the investment prior to death will be income of your spouse and any income after that will be yours to report on your return.

For interest-bearing accounts, interest is deemed to be earned on a daily basis. The portion of interest earned prior to death will be claimed by your spouse, the remaining portion will be yours.

Registered Accounts: These include RRSP's, RRIF's and TFSA's. There are two ways to ensure these can 'rollover' to you tax-free. These would be If you are the named beneficiary or if these were left to the estate and you are the sole beneficiary.

Tax Tip

Plan withdrawal of RRIF or RRSP income ahead of time.

Any money withdrawn from these accounts instantly becomes fully taxed as income. It is very important to note that if you received the funds tax-free on a rollover from your spouse, this benefit would be undone if you chose to withdraw it all that year. You could be left with a very hefty tax bill! Seek advice from your financial and tax advisors prior to making any decisions about when to withdraw funds.

Tax implications at the Death of a Spouse

It is very important to understand the tax consequences of your planning now, and down the road when one spouse dies. Review the following chart for explanation.



CHECKLIST: Tax Consequence at Death of Your Spouse

Type of Asset	Taxable?	To Whom?	Special Rules
Cash	no	no	
Employment Income	Over \$10,000	Final or elected returns	Added as income on final return, unless due to be paid prior to death and actual payment was after death. Then it can be claimed as a right or thing.
OAS	Yes	As above	Added as income on final return, unless due to be paid prior to death and actual payment was after death. Then it can be claimed as a right or thing.
CPP Retirement Benefit	Yes	As above	Added as income on final return, unless due to be paid prior to death and actual payment was after death. Then it can be claimed as a right or thing.
CPP Survivor's Benefit	Yes	Recipient	Surviving Spouse receives a percentage of CPP benefits, depending on number of years as spouse. It is important to note, a percentage may also be payable to an ex-spouse.
CPP Lump Sum Death Benefit	Yes	Estate Return or Recipient	Never income of the deceased. Taxed in hands of estate on trust return or recipient.
RPP	Yes	Final return	May end as of the date of death or surviving spouse may continue to receive a percentage. The survivor's RPP would be taxed in the hands of the surviving spouse. Eligible for pension income splitting provisions.
RRSP, RRIF	Yes	Final return	Rollover to surviving spouse will defer tax on RRSP or RRIF income at death. Spouse should be cautioned to plan optimal withdrawal amounts to limit tax due in any given year. Over age 65, eligible for pension income splitting provisions.
Foreign Pensions	Yes	Final return	Taxed on final return. Most times this ends at death. However, some countries allow the surviving spouse to apply for a survivor's pension. Any income received by surviving spouse is taxed in their hands. Eligible for pension income splitting provisions.
TFSA's	No	Estate in some cases	Transfers tax-free to surviving spouse or beneficiary.
RDSP's	No	Spouse	Surviving spouse often becomes new account holder.

Non-Registered Accounts	Yes	Final Return, Elective Returns	Deemed disposition at death (capital gains or losses) or may transfer to surviving spouse at ACB, FMV or any value in between.
Dividends from Small Business Corporation	Yes	Final and elective returns	Reported on final return or may be eligible to report on the optional T1 return: income from a trust return
Principal Residence	No	Deemed disposition must be reported on final return.	No tax. Deceased's portion of home transfers to spouse unless willed to another beneficiary
Rental Properties	Yes	Final and elective returns	Deemed disposition at death of deceased spouse's portion. Can occur at ACB/UCC* to avoid capital gain or recaptured CCA in the final return. Becomes surviving spouse's property unless willed to another beneficiary.
Vacation Properties	Yes	Final and elective returns	Deemed disposition at death of deceased spouse's portion. Becomes surviving spouse's property unless willed to another beneficiary.
Family Heirlooms	No	Final and elective returns	Will depend on who inherits these. Tax free rollover to spouse; gifting thereafter possible. May be subject to probate tax in certain jurisdictions.
Business Assets	Yes	Final and elective returns	Reported on business schedule of personal return.
Foreign Assets	Yes	As above	Deemed disposition at death could trigger capital gains. May transfer tax free to surviving spouse. May also be taxed in foreign country.
Other Assets	No	As above	May transfer tax free to surviving spouse. May be subject to probate tax in certain jurisdictions.
Credit Cards	No	No tax reporting	Would become debt of surviving spouse if joint account. Must be paid out prior to distribution to beneficiaries.
Lines of Credit	No	As above but possible interest deductibility	Would become debt of surviving spouse if joint account. Must be paid out prior to distribution to beneficiaries.
Margin Accounts		As above	Loan must be paid out and deemed disposition as at date of death unless held jointly. If jointly owned, would become property of surviving spouse.
Tax Debt	No	No interest deductibility	Must be paid prior to distribution to beneficiaries.
Long Term Debt	No	Possible interest deductibility	Would become debt of surviving spouse if joint account. Must be paid out prior to distribution to beneficiaries.

*Adjusted Cost Base/Undepreciated Capital Cost. A tax specialist can help with these calculations.

CONCLUSION

Most of us have to face the death of a parent and many of us, a spouse. We know we will have many emotions to sort through when either of these occur. But these life events also bring about many practical tasks that need our attention. Being prepared will make the emotional strain easier to cope with. In our discussion we have learned many tips on how to set up your finances to be as organized and tax efficient as possible for those who we leave behind.

We have discussed looking ahead to prepare ourselves for the tax and financial implications at the death of a parent or spouse, and ultimately our own death and how we can leave those we leave behind in the best situation possible. By 'having our ducks in a row' so to speak, we can ensure that our family or friends can focus on managing their emotions and loss when there are obligations and deadlines without the added strain of cleaning up a financial or tax mess.

We talked about what first financial decisions after death have to be made, including who has to be informed and

what information they will be looking for. Safeguarding assets, deemed disposition implications for each type of investment as of the date of death and what decisions need to be made and when during the first year.

As we all know death and taxes are inevitable. You now know what tax returns are required and what optional returns are available to reduce the tax bill at death. You know when the deadlines are for each of these and that a clearance certificate is the final step to wrap up everything with CRA. When the clearance certificate is granted by CRA it is safe for the executor to distribute funds to beneficiaries and community charities and organizations (as directed in the will) without the risk of additional tax liabilities.

Money Tip

Note that the clearance certificate give assurance that no tax is owing at the date of the certificate. It does not preclude the CRA from reassessing returns of the deceased within the normal allowed reassessment period (normally 3 years from the date of the notice of assessment). Therefore, if CRA were to reassess a prior year return and assess tax, the estate would be liable

In conclusion, Death of a Spouse or Parent comes with both emotion and complexity. It's a subject we don't like to discuss, but must, in order to reassure those who come after us, that

from a financial perspective at least, all that could be done to preserve the deceased's legacy was planned and implemented to the best possible result.



Glossary

Beneficiary This is a person who derives an advantage from something, which in the case of death is generally a trust, will or life insurance policy.

CRA Canada Revenue Agency

Elective Returns Aside from the final tax return the legal representative for the deceased may elect to file one of three additional tax returns to reduce taxes payable at death

Executor This is the person appointed to administer the estate of a person who has died leaving a will which nominates that person. Unless there is a valid objection, the judge will appoint the person named in the will to be executor.

Fair Market Value CRA defines this as “the highest price, expressed in dollars, that property would bring in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other.”

Final Return The legal representative for a deceased taxpayer, usually the Executor, must file a final or terminal tax return for the deceased from January 1 to the date of death. The due date of this would be the normal filing date or 6 months after death, whichever is later.

Graduate Estate Return (GRE) As of December 31, 2015, a GRE is the estate that arose on and as a consequence of the individual's death, at any time, if that time is no more than 36 months after the death, the estate is at that time a testamentary trust and an election is made in a T3 return in the first taxation year of the estate, that the trust is to be a GRE. The deceased individual's Social Insurance Number (SIN) must be included. The key benefit is that the trust is taxed at the same graduated tax rates as an individual from the first dollar earned by the estate.

Guardian a person who looks after and is legally responsible for someone who is unable to manage their own affairs, especially an incompetent or disabled person or a child whose parents have died

Probate This is a legal process that takes place after an individual dies, whether or not he leaves a will. Probate identifies and inventories a deceased person's assets. Probate calculates tax on these assets.

Trust This is an arrangement whereby a person (a trustee) holds property as its normal owner for the good of one or more beneficiaries

Will This is a document in which a person specifies the method to be applied in the management and distribution of his estate after his death. Legal instrument that permits a person, the testator, to make decisions on how his estate will be managed and distributed after his death.

Resource Links

CPP Death Benefit

<https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-death-benefit.html>

CRA Authorizations

<https://www.canada.ca/en/revenue-agency/news/newsroom/tax-tips/tax-tips-2021/new-confirm-representative-using-my-account-or-my-business-account.html>

Death Certificates

<https://www.ontario.ca/page/how-get-copy-ontario-death-certificate-online>

Executor

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/life-events/what-when-someone-died/legal-representative.html>

<https://www.thehivelaw.com/blog/what-an-executor-cannot-do/>

Funerals

<http://www.ic.gc.ca/eic/site/oca-bc.nsf/eng/ca03069.html>

Organ donations

www.beadonor.ca

Grieving Supports

<https://www2.gov.bc.ca/gov/content/life-events/death/after-death/get-support>

<https://grievingtogether.ca/what-now/checklist/canada-info/>

<https://psychcentral.com/blog/single-at-heart/2019/05/the-death-of-our-parents-how-old-are-we-when-that-happens#1>

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