

Life Letter *mature*

Death and taxes

If you think your personal income tax return is a lot of work, imagine what it will be like after you die. Your executors will have to file at least two and quite possibly more than six returns. They include:

1. A **terminal return**, which is the personal return for your final year, covering the period from January 1st to the date of death.
2. A **previous year's return** is required if you die in the first few months of a year, before filing a return for the previous year.
3. A **business return** is needed if you were the owner, or part owner, of a business with a year-end other than December 31st, for the period from the last year-end to the owner's date of death.
4. An **estate return**, because at death, your assets become the property of your estate until they are distributed. During this period, any income your estate earns is taxable, and your executors will have to report it in a separate tax return. If the distribution takes more than one tax year, multiple returns will be required.
5. A **"rights or things" return** may be needed to cover the unrealized income from such assets that would otherwise be included on their later realization or disposition.
6. A **trust income return** is required if you are the income beneficiary of a trust with a non-calendar tax year, for the period from its previous year-end to your date of death.

There are often tax advantages to filing these separate returns, both from transferring income to a lower tax rate (income splitting), and multiple use of personal and other exemptions and credits.

More tax savings can be achieved by planning ahead. Canada Revenue Agency (CRA) allows you to arrange your affairs so that certain taxes, otherwise payable at your death, are deferred. You can also guarantee that the money needed to pay them will be there.

Estimate the taxes your estate will have to pay. Arrange your estate to minimize them. Then, instead of leaving the problem of finding the money to pay them up to your executors, arrange for it to be there when it's needed. Most sophisticated estate plans use life insurance as a very economical way to provide the cash needed to pay taxes and other estate costs. Don't forget, CRA has first claim on your estate, ahead of your family.

For information purposes only and not intended as specific tax advice.

***Want help with your estate plans?
Call today!***

Shelley L. Bertram
Bertram Insurance & Financial Services
Insuring Ages 0-90
Life - Health & Dental - Travel
Mutual Funds Representative
(705) 657-3882 1-866-657-3882