

Navigating the Death of a Spouse or Common-Law Partner

What's next for your financial and estate plan?



Planning related to the loss of a spouse or common-law partner is a difficult event to consider and discuss. (In this article, the terms spouse or common-law partner will be referred to as the “spouse”.) This article details some of the components of your financial and estate planning that may require alteration following the passing of a spouse and includes examples of strategies that you may wish to consider to help you and your loved ones navigate these difficult times.

Establish your sources of income

Your spouse may have named you as the primary beneficiary of their estate, and as a result, income may be paid from sources including employer pension benefits, life insurance policies, or registered plans such as a Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF).

You may also qualify for certain **government benefits**, such as:

- *Canada Pension Plan/Quebec Pension Plan Benefits (CPP/QPP)*
The following are three common types of benefits from these plans that may be paid to a surviving spouse or the estate:
 - **Survivor’s Pension:** a monthly pension benefit of up to 60% of the deceased spouse’s monthly CPP/QPP benefit. The amount received will be based on how much and how long your spouse paid into CPP/QPP, your age and whether you receive your own CPP/QPP benefits.
 - **Death Benefit:** a one-time payment up to a maximum of \$2,500, based on how long your spouse paid into CPP/QPP.
 - **Surviving Child’s Benefit:** a monthly benefit intended to support dependent children of a deceased CPP/QPP contributor.
- *Old Age Security (OAS)— Allowance for the Survivor*
This may be available to survivors who are between ages 60 to 64, a Canadian citizen or legal resident, in Canada, and have not remarried or entered into a (new) common-law partnership with annual income below a certain maximum annual threshold.

In addition to the funds from the above-noted sources, you may have received other assets from your spouse. Consider speaking with your TD advisor about how to best manage those assets.

For more information on CPP/QPP, please ask your advisor for TD’s article: **Government Benefits: The foundation of your retirement income.**

Managing your cash flow

Estate administration and settlement can take some time, restricting access to funds necessary to meet day-to-day and long-term expense obligations. Be sure to review your income needs to ensure you are properly positioned to maintain your standard of living during this process.

Tax planning strategies may have been determined based on whether or not you have a spouse, and may need to be adjusted to better suit your new situation. Your investments and subsequent asset allocation may need to be rebalanced to suit your risk tolerance, goals, and objectives, so it is important to review these aspects to be sure they are reflective and aligned to your needs.

Updating your estate plan and beneficiary designations

You should regularly revisit your estate plan and it is important to do so when a major life event takes place. If you have named your spouse as the beneficiary of your pension benefits, registered plans and/or life insurance policy, these designations will need to be updated accordingly.

The principal documents involved in an estate plan include your Will, which deals with how your assets will be handled after your death by your executor, and your Powers of Attorney (POA) (Protection Mandate in Quebec), which focuses on the management of your assets and health care decisions should you become unable to make these decisions for yourself. The appointment made in the POA ends when you pass away, at which point the executor will take over — administering your estate as legally required.

You should regularly revisit your estate plan and it is important to do so when a major life event takes place.

Many people choose an executor based on personal connection; however, you should also ensure your executor can handle financial matters, and work with financial, legal, and tax professionals. Other important considerations when choosing an executor include whether they have a beneficial interest in the estate, their age, residence and geographic proximity. For example, an executor who lives far away will likely face legal hurdles as well personal expenses in fulfilling their duties. There may also be tax consequences to your estate if your executor is not a resident of Canada or other commonwealth country.

If you are the executor of your spouse's estate

If you are the named executor of your spouse's estate, it is your responsibility to ensure their wishes are carried out accurately and in a timely manner. Some examples of these responsibilities include:

- Identifying all bank and investment accounts and obtaining information regarding balances and any outstanding debts;
- Locating insurance policies and applying for amounts payable to the estate;
- Ensuring all property (including investments, real estate, and businesses) are managed, insured and protected during the administration of the estate;
- Fulfilling lawful bequests set out in the Will;
- Obtaining proper appraisals of certain assets that are acceptable to the Canada Revenue Agency (CRA) before disposing of them (i.e., transferring, selling or donating);
- Applying for probate;
- Paying any tax liability or debts of the deceased; and
- Retaining sufficient cash to settle the final expenses of the estate.

Executor Assistance

Fulfilling the executor role may be daunting, especially when grieving the loss of a spouse. You may wish to consult with a lawyer for guidance to ensure the duties as an executor are performed in a timely and legally accountable manner.

Consider speaking with your advisor about obtaining executor assistance. These services may include: record-keeping, collecting income owed to the estate, banking, tax preparation, as well as communicating with family members and beneficiaries. Executor assistance may help relieve you of some of the burden of estate administration, while helping to ensure you are thoroughly informed in your capacity as executor of any decisions that are made affecting the estate.

Eligible Funeral Arrangements

By planning ahead, you can help alleviate the stress of funeral and burial expenses for your surviving loved ones by setting funds aside in an eligible funeral arrangement (EFA).

The federal *Income Tax Act* provides a special exemption for any income earned on contributions made to an EFA, and you may contribute up to \$35,000 to an arrangement that covers both funeral and cemetery services. If these services are to be provided by different service providers, contributions to an EFA of up to \$15,000 may be made for funeral services and up to \$20,000 may be made for cemetery services.

Contributions to an EFA are not deductible for tax purposes, however income earned in these arrangements are generally also not subject to tax in the hands of the contributor. The contributor is not subject to tax on the income as long as the funds are used for providing funeral or cemetery services. Excess funds that are not used for funeral or cemetery services are generally distributed to the estate and may be taxable.

Consider:

When dealing with the loss of a loved one, consider working with your TD advisor to revisit your wealth plan and ensure it is reflective of your current circumstances, goals and objectives. Speak to a professional to gain peace of mind that your spouse's estate is properly managed and distributed.



The information contained herein has been provided by TD Wealth and is for information purposes only. The information has been drawn from sources believed to be reliable. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. TD Wealth represents the products and services offered by TD Waterhouse Canada Inc., TD Waterhouse Private Investment Counsel Inc., TD Wealth Private Banking (offered by The Toronto-Dominion Bank) and TD Wealth Private Trust (offered by The Canada Trust Company). All trademarks are the property of their respective owners. ® The TD logo and other trade-marks are the property of The Toronto-Dominion Bank.