Things to avoid in Life…

Brussels Sprouts and Your Estate.

By Corry Collins CLU CHFC CHS

There are some things that you should just try to avoid at all costs. For one, brussels sprouts are those little cabbage looking things that your mother told you to eat, and supposedly they are good for you. Fiber and protein are good, however it's that funny texture and odd aroma that gets me. Too bad some retirement investments didn't come with an odd smell that would ward off unsuspecting baby boomers. I'm referring in particular to one aspect of a Mutual Fund which most investors are simply unaware… Your Estate.

The question that you should ask is "If I predecease my spouse, what path will the proceeds in my RRSP "Mutual Fund" take?" The answer may surprise you as it does most people. Let's say you have a mutual fund and you use it as your retirement savings. You have named a beneficiary- say your husband or your wife. Let's also say you are 60 years old, even though you look younger. At your death, the mutual fund becomes part of your estate regardless to whom you stated as your beneficiary.

Your estate is a legal entity which is created upon your death, and all assets personally owned become part of your estate. Depending on the size of your estate, many factors start to come into play. A lawyer may be needed as well as an accountant. Your executor may also be involved, and maybe even a judge. Hopefully your will is up to date as your will becomes your voice around this table.

If your will is contested, or if someone is suing you at the time of your death, the cost of settling the estate increases. Lawyers, accountants, and even the executor need to be paid for their time. But eventually the dust will settle. With good luck, the Mutual Fund remains intact, and the named beneficiary is awarded the money through revenue Canada's 60J rollover. However the estate also has an obligation to settle the estate first and the beneficiary becomes a second payer if others need to be paid. In fact, if there is no money left, the beneficiary is out of luck.

So how do you avoid your estate and guarantee your beneficiary their due? Avoid buying a Mutual Fund, and invest in a Segregated fund as an alternative. A segregated fund is contractually different than a Mutual Fund in several ways. One distinct feature is the insurance component. At death, a segregated fund is paid directly to the beneficiary, period. No estate, no lawyers, no accountants, no judge.

People work hard enough for their money. Avoiding your estate is the art of dying neatly. The small cost involved in proper planning, may avoid a great deal of pain. A recommendation may be to take the time to plan properly, avoid your estate when you can, and only eat Brussels sprouts at your mothers. This way everyone stays happy… except you, cause you're dead.

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