

CLU ADVANCED LEARNING SERIES

CASE STUDY: FAMILY ESTATE PLANNING



Case Study: Family Estate Planning

Learning Objective

Explain how to tailor the estate plan to address the needs of a blended family and elderly parent.



Case Study: Family Estate Planning

Question

Suggest six issues that should be considered and/or steps that either Ralph or Alice should take to protect the interests of his/her current and/or former families.

References

257 Advanced Estate Planning Study Guide (Chapter 3)

Wealth Planning Strategies for Canadians, 2019 Edition (Chapter 5, 7, 8, 10, 13)



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Solution

Mirror Wills: The couple's wills are currently set up with each other as the beneficiary of the other's estate with an outright distribution. Consider the option of a spouse trust to ensure that their respective children are the eventual beneficiaries of each other's estate.



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Solution, continued

Mirror Wills, continued: However, because they have used joint title and beneficiary designations, there is very little in either estate. For example, if it was important to them, they could register their home as tenants in common so that each half goes into the spouse trust and the survivor can stay there, but upon the death of the survivor, the proceeds would be divided between each family.



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Solution, continued

Child Support: Provision should be made for the support of Ralph's children for the full 9 years, in the event of his death or disability. Disability/term life insurance payable to his ex-wife in trust might be an option to ensure the funding.



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Solution, continued

Estate Equalization: Alice has an estate of \$552,000, while Ralph's is only \$175,000 (exclusive of their jointly-owned house and bank account). Absent a marriage contract, Ralph could possibly have a substantial equalization claim against Alice's estate in the event of marriage breakdown or her death.



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Solution, continued

Dependent's Relief: In the case of the children living with the couple (Alice's), as well as in Ralph's case (he earns only 50% of what Alice does) there could be a dependent's relief claim in the event of a death. Again, insurance may fill this gap.



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Solution, continued

Support for Alice's Mother: Alice's mother is financially dependent upon her due to disability. Depending on the jurisdiction in question, Alice (or her estate) may have a legal obligation to continue providing such support.



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Solution, continued

Beneficiary Designations: The insurance proceeds payable to Alice could be established as an asset subject to claim by his children as part of Ralph's estate in the event of Ralph's death.



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Solution, continued

RRSPs: The designation of each other as beneficiaries of their RRSPs could be changed to a spouse trust for each, to protect the interests of their respective children. This will result in the loss of the tax-deferred rollover, which should be weighed off against the protection for the children.



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Solution, continued

Note: Jurisdictional differences will have to be taken into consideration, depending on the province or territory of domicile of the student.