

ESTATE PLANNING

Most Canadians
wrongly think
a will is enough
protection: survey

A survey by CIBC released this week found that 84% of Canadians with a will say they have named a family member or friend as executor, a move the bank says could be risky. The duties of an executor include making funeral arrangements, assessing the value of estate assets and liabilities, filing individual and estate tax returns, collecting any insurance proceeds and accounting for the estate financial activities.



Meanwhile, an RBC report on estate planning says that most Canadians wrongly believe that having a will is enough to protect them. The bank says Canadians also need to prepare for aging and health concerns. "For many Canadians, health directives and a general power of attorney or other financial directives will likely be needed before your will is invoked," the RBC report said. *The Canadian Press*

PERSONAL FINANCE

A look inside giving



JAMIE GOLOMBEK
Tax Expert

\$10.6B

Total amount Canadians donated to charity in 2010

\$446

Average amount individual
Canadians donated to charity

\$123

Median amount individual
Canadians donated to charity

How much do you give to charity? How do you compare with your friends and neighbours? Who are you giving to?

These questions, while not always asked in polite company, loom large among curious Canadians who may wonder whether they are indeed giving enough money or time to support worthwhile causes.

One of my first glimpses into how much people give — or don't give — was as a young accountant lost in a pool of junior tax preparers in a large, international accounting firm during tax season. We prepared the tax returns of senior executives of major corporations along with those of various professionals and other wealthy Canadians who often had complex personal situations and diverse investment income to report.

Each April, many an evening and weekend was spent on our clients' tax returns, which included entering multiple donation receipts into the software package that would ultimately calculate and generate the tax return to be filed.

I recall one taxpayer in particular who donated more than \$60,000 to a variety of charitable organizations. Of course, that was nearly double what I made in income that year and I considered that level of charity extraordinarily generous — until I input his T4 slip, which reported employment income of more than \$10-million. This individual donated about 0.6% of his net income that year to charity.

Using tax return data just released from the Canada Revenue Agency for the 2010 tax year, it turns out that while this percentage may seem low, it's not that far off what the average Canadian reported donating to charity in 2010. It is, however, significantly less than the percentage donated by the wealthiest of tax filers.

The data shows that as an individual's income increases,

COMMENT

Business
owners
too busy
to plan

KIM INGLIS

While extremely confident in the outlook for their balance sheets, small business owners appear less enthused about taking care of their personal finances. According to Statistics Canada, fewer self-employed Canadians than paid employees are financially preparing for retirement (74% vs. 85%), even though the self-employed were more likely to be knowledgeable about finances.

It's likely that some of this variance can be attributed to the fact that entrepreneurs are generally occupied full time with managing their businesses. But inadequate personal financial planning will have a negative impact on the business owner's retirement and estate plans.

Financial planning for entrepreneurs tends to be quite complex, involving such factors as multifaceted estate issues, tax considerations, and succession planning. Due care in determining a personal financial strategy involves understanding the business as it is now and as it is forecast to be at retirement.

Then, investment portfolios can be constructed in synergy with the business. For instance, entrepreneurs with new start-ups or highly cyclical businesses may establish more conservative investment portfolios to offset some of the risk in their companies. There may be a time when one needs to help the other.

Similarly, business owners should be conscious of over concentration. With many of their eggs already in the company basket, they need to be sure they aren't duplicating exposure in their portfolios.

A property management company owner with extensive real estate holdings might rationalize "it's what I know" and want to fill an investment portfolio with REITs, but that would create redundancy and add significant risk.

A comprehensive plan includes investment planning, estate planning, and risk management, followed by continuous monitoring.

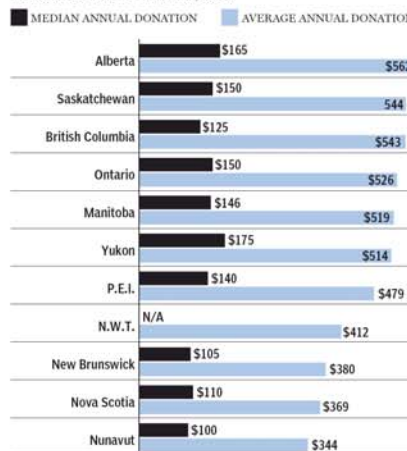
According to the quarterly

CHARITY

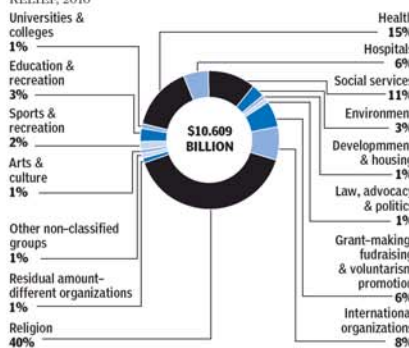
CHARITABLE DONATIONS BY INCOME LEVEL
PERCENTAGE OF INCOME DONATED AND AVERAGE DONATION AMOUNT



AVERAGE AND MEDIAN ANNUAL DONATIONS
DONORS AGED 15 AND OVER, 2010



DISTRIBUTION OF CHARITABLE DONATIONS
NOT INCLUDING DONATIONS TOWARD NATURAL DISASTER RELIEF, 2010



NOTE: Percentages are rounded up to nearest whole number. \$6-million was donated to Business and professional associations, labour unions which makes up 0.00% of total donations a figure too small to represent in the graph

PERCENTAGE OF DONORS WHO DID NOT GIVE MORE
BECAUSE THEY THOUGHT THEIR MONEY WOULD NOT BE
USED EFFICIENTLY
DONORS AGED 15 AND OVER, 2010

