Education

AFM 321 Final Prep

Disclosure: This material is for educational purposes only and is intended to supplement course content. Please ensure you review the class materials independently.

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1.0 Introduction

1.1 Budget

Budget: Should reflect your planning and financial goals.

- Your financial plan identifies goals and considers expected cash inflows and outflows, while your budget details them.
- Key Elements of a Budget:
    - Time Period: Year/month/semester.
    - Cash inflows/outflows.
    - Separate recurring vs non recurring items.
    - Savings represent a cash outflow because you should be setting that money aside into different savings accounts or investments.
    - Expected vs Actual: What is the difference and why.
    - Deficit vs Surplus: What to do in each position.

1.2 Framework for Financial Planning

- Planning:
    - Short and long term goals.
    - Key inflows and outflows.
    - Savings: How much money to set aside for future expenses (i.e., down payment).
    - Savings Accounts: RRSP, TFSA, RESP, FHSA, GIC.
- Spending: Non-savings transactions to pay personal expenses.
- Reporting:
    - Budget.
    - Net Worth Statement.
    - Tax payable/refund.

1.3 Stages of Life

1.3.1 Student Life

- Financial Goals: Pay down student loan, save for a car.
- Cash Inflows: Co-op, part time job, scholarship, funds for parents.
- Cash Outflows: Tuition, rent, grocery, utilities.

1.3.2 New Graduate

- Financial Goals: save for house down payment, save for an engagement ring.
- Cash Inflows: Salary/wages, gig works, investments, tax refund.
- Cash Outflows: Rent/mortgage, grocery, transportation, utilities, vacations.

1.3.3 Mid Life

- Financial Goals: Pay down mortgage, save for kids' education.
- Cash Inflows: Salary/wages, start business, rental income, investments.
- Cash Outflows: Mortgage, kids, vacation.

1.3.4 Retired Life

- Financial Goals: Spend all money, leave inheritance.
- Cash Inflows: Pension income, retirement savings, property income.
- Cash Outflows: New car, vacations.

1.4 Canadian Individual Taxes

1.4.1 Why file taxes?

- Receive tax refund.
- Calculate tax owed and pay taxes.
- Receive governmental tax benefits.
- Build financial history.

1.4.2 Income Tax

- Division A - Liability for tax.
- Division B - Computation of net income.
- Division C - Computation of taxable income.
- Division D - Taxable income for non-residents.
- Division E - Computation of tax.

1.4.3 Types of Income

- Employment income.
- Business income.
- Investment income.
    - Property income.
    - Capital gain (taxable @ 50%).
- Scholarship.
- Gifts.
    - Under $500, non taxable.
    - Non-cash.

1.4.4 Common Deductions

- Employment Income:
  - Vehicle related expenses for travel employees.
  - Sales and promotion expenses for commission-based employees.
  - Other employment-related expenses not covered by the employer.
  - RRSP contribution.
- Business Income: Any reasonable expenses incurred to earn business income.
- Rental Income: Any reasonable expenses incurred to earn rental income.
- Division C Deductions.
- Tax breaks offered.
- Loss Carryovers:
  - Capital: Can carry forward indefinitely, but you have to have income to use against.
  - Non-Capital.
- Loss Carry Back:
  - Carry back loss to get a refund.
  - Offset tax paid in the past.
- Capital gain deductions.
- Stock Options:
  - When an employee can buy shares at a certain price.
  - (Stock option - FMV * 0.5) is deductible.

1.4.5 Common Credits

- Basic Personal Amount:
  - $15,705 * 25% = $3,926.25 given to everybody.
  - When taxable income > $173,205, BPA reduces.
- Employment Credit:
  - 25% of the lesser of:
    - $1,433.
    - Employment income.
- Age Credit:
  - Age 65 or older.
  - $8,396 * 25% = $2,099.
  - Credit base reduced by 15% of taxable income exceeding $41,805.
- Medical Expense Credit
  - Exceeds the lesser of:
    - 3% of net income.
    - $2,635.
  - Multiplied by 25%.
- Tuition credit.

- Charitable donation credit.
- CPP & EI credit:
    - Multiplied by tax rate.

2.0 Student Life

2.1 Cash Inflows from Student Life

- Funds from parents.
- RESP:
    - Tax benefits:
        - Contribution is not taxable.
        - Taxed at your lower tax bracket (not that of your parents).
        - The government matches contributions.
        - Investment grows tax free until withdrawn.
            - Upon withdrawal, the contribution portion is tax-free.
            - Governmental grants and investment earnings are taxable.
- Ontario Student Assistance Program (OSAP):
    - Grants: Non-repayable financial assistance to cover education-related costs.
    - Loans: Borrowed money that must be repaid with interest.
        - Repayment starts six months after graduation.
        - However, you can start repaying early.
        - Default repayment period is 9.5 years.
        - Interest rate based on a prime rate.
            - Variable rate (prime rate + 1%).
            - Fixed rate (fixed for whole period).
    - Covers expenses such as tuition, books and supplies, living expenses.
    - Assistance is based on need.
    - Treat OSAP as an <u>inflow</u> of cash in your budget.
- Scholarships.
- Co-op and Part Time Jobs:
    - Government offers companies tax breaks for hiring co-ops.
- Gig Work:
    - Counted as business income if it is work such as Uber, Airbnb.
- Selling Personal Use Property (PUP):
    - Includes furniture, cars, clothing, recreational items.
    - 1000 floor rule:
        - Proceeds and adjusted cost base are bumped up to 1000.
            - Just for each transaction (not cumulative).
            - Money spent will increase the base of the item.
        - You do not need to record income if proceeds are less than 1000.

  - Loss on sale of PUP cannot be used to offset other capital gains, because it is a normal occurrence.
- Selling Listed Personal Property (LPP):
  - Subset of PUP that consists of certain valuable items, often with collectible or investment potential.
  - Items that don't depreciate such as jewelry.
  - The 1000 floor rule still applies.
  - Capital loss on LPP can be used to offset capital gain on LPP only.

2.2 Common Credits

2.2.1 Tuition Tax Credit

- 25% of tuition expense.
- Can be carried forward.
- Can be transferred to family up to $5,000.
  - Preferable if they have higher income.
- Can be claimed even if RESP or OSAP was used.

2.2.2 Student Loan Credit

- 25% of interest paid on student loans.
- Cannot be transferred to family members.
- Can be carried forward for 5 years.
- No interest accrued while you're in school.

2.2 Cash Outflows from Student Life

- Savings:
  - Bank savings account.
  - TFSA:
    - Must be 18 years old to open.
    - Contributions are deductible.
    - Investment earnings within TFSA is tax-free.
    - Withdrawals are tax-free.
    - Withdrawals increase contribution room in the following year.
    - You can choose to hire an investment manager and pay a fee, or do it yourself.
  - RRSP:
    - Registered retirement savings plan.
    - No age limit.
    - Contributions are tax deductive under Division B.
    - Deductions become more valuable as marginal tax rate increases.

        - Investment earnings are tax-free (deferred).
        - Withdrawals are included in Division B income and taxed..
    - Guaranteed Investment Certificates (GIC):
        - Guarantees a fixed return on a deposit for a specific period.
- Spendings: Rent, utilities, grocery, transportation, technology, insurance (ie. tenants insurance), clothing/shoes, entertainment, credit card fees.

3.0 New Graduate

3.1 Cash Inflows for New Grads

- Salary.
- Non-salary employer provided benefits.
    - Taxable:
        - Disability insurance.
        - Life insurance.
        - Automobile benefits (personal portion).
        - Low/free interest loan.
        - Corporate housing.
        - Discounted goodies.
        - Free meals.
    - Non-taxable:
        - Pension contribution.
        - Health insurance.
        - CPP & EI contribution.
        - Paid vacation.
        - Paid education.
        - Commuter benefits.

3.2 Employer Benefits

3.1.2 Pension

- Contribution may be mandatory.
- Pension is offered by the employer.
- Easy withdrawal triggers a penalty.
- No option to self-direct.
- Regulatory oversight is more strict.
- Registered Pension Plan (RPP):
    - Employer contribution is tax-free.
    - Employee contribution is tax-deductible.
    - Defined Contribution: Employer matches employee contribution.
    - Defined benefit, but employer contribution varies.

    - Small employees usually cannot establish pensions.
    - All retirement accounts share the same limit of 18% of employment income.
    - If you leave your job:
        - Leave funds there and claim pension payments once you retire.
        - Transfer to a locked-in retirement account.
        - Transfer to the new employer's pension plan.
        - In some cases, transfer to RSP.
        - Take a cash payout.
- Deferred Profit-Sharing Plan (DPSP):
    - Only employers make contributions based on company profits.
    - Contribution amount varies.
- Employer Contribution:
    - Group RSPs plan where employer matches employees contribution.
    - Lower administration cost than traditional pension plans.

3.2.3 Automobile

- Employers provide a vehicle for work and personal use.
- Personal part is taxable as shown on the T4.
- Standby Charge:
    - Benefit for using the vehicle for free, depending on the FMV.
    - 2% of the vehicle's original cost each month (including HST).
    - Reduced standby charge applies when personal use < 50%.
- Operating Benefits:
    - Gas, insurance, maintenance, based on a prescribed rate of 33c/km.

3.2.4 Stock Options

- **Stock Option:** Rights to purchase a stock at a given price.
- FMV > Specific Price.
- Timeline:
    - Grant Date: No tax implication.
    - Exercise Date: Employment income.
    - Sale Date: Capital gain/loss.
- Employment Income = (FMV - Exercise Price) * Shares
    - 50% stock option deduction under division C if exercise price is less than FMV.
    - Can be deferred to the time of sale for CCPCs.
- Capital Gain:
    - Sale price - Exercise Purchase Price.
    - In-the-Money: FMV > Exercise Price.
    - At-the-Money: FMV = Exercise Price.
    - Out-of-the-Money: FMV < Exercise Price.

3.3 Dividend Tax Credit

- **Dividend:** Distribution of after-tax earnings from companies.
    - Individuals pay tax on dividends.
    - To avoid double taxation, a credit is given to individuals representing the tax amount companies already paid.
- DTC for public companies.
    - 38% of dividend.
- DTC for CCPCs.
    - 15% of dividend.

3.4 Registered Accounts

- RESP/RSP/RPP:
    - Withdrawal/distributions are taxable.
- Investment earnings could include:
    - Interest income.
    - Dividend income.
    - Capital gain.
- Are they taxed differently upon withdrawal?
    - No, ordinary income as they already enjoyed tax deferral benefit.

3.5 Savings for New Graduate

- RPP: Employer-provided pension.
- RSP: Individual retirement savings.
    - Contribution Room: Lesser of 18% of earned income or $31,560.
- TFSA.
- FHSA.

3.5.1 Home Buyers' Plan

- Allows Canadians to borrow money from RSP without triggering any tax.
- Must be a first time home buyer.
- Can withdraw up to $35,000.
- Must be repaid within 15 years.
- Repayment does not take up RSP contribution room.
- However, tax advantages are better for FHSA.

3.5.2 First Home Savings Account

- Must be 18 years old.
- Must be a first time home buyer.
- Must be a Canadian resident, not just a tax resident.

- Limit of $8,000 a year and $40,000 in a lifetime.
- Benefits:
    - Contributions are tax deductible.
    - Tax-free growth.
    - Withdrawal is tax-free when used to purchase a first home.
    - If you don't use it to purchase a home, you can transfer the money to an RSP or withdraw it and pay tax.

3.6 Mortgage Insurance

- Mandatory when down payment is less than 20%.
- The less the down payment, the higher the mortgage premium.
- One-Time Premium:
    - Can be paid up front, or rolled over into the mortgage.

3.7 Interest Rates

- Variable Rate:
    - Adjusted based on the prime rate, which is used as a benchmark.
        - Based on the borrower's credit worthiness.
        - Currently, the prime rate is 5.2%.
        - Added margin to the policy rate, or overnight rate, which is currently 3%.
- Fixed Rate:
    - Constant rate within the loan term.
    - Could be higher or lower than variable rate, depending on market expectation of future rate changes.
- Deductibility:
    - Interest rate is deductible when the intention of borrowing is to generate business or property income.
    - Interest expenses include interest on:
        - Home mortgage.
        - Rental mortgage.
        - Funds borrowed to run business.
        - Funds borrowed to buy stocks.
        - Funds borrowed saved in high-interest.
        - Funds borrowed to LPPs.

3.8 Loan Parameters

- Amortization Period:
    - 25 to 30 years.
    - All first time home buyers now qualify for a 30-year mortgage.

- Mortgage Terms:
  - 1, 3, 5, or 10 years.
  - Renewal occurs typically every 5 years.
- Open vs Closed Loans:
  - Depends how much prepayments are allowed.
  - Rates will differ.
  - Banks prefer closed bonds so they can earn more interest.
- Stress Test:
  - Contract mortgage rate +2%.
  - Ensures borrowers can handle potential rate hikes.
  - Recent legislation removed the mortgage stress test requirement for borrowers to switch lenders upon approval, which makes it easier for borrowers to find better interest rates.

4.0 Mid-life

4.1 Cash Inflows and Outflows from Mid-Life

- Inflows:
  - Secondary Income Sources:
    - Business:
      - Online businesses.
      - Service based businesses.
      - Gig economy.
    - Rental.
  - Childcare Support: Canada Child Care Benefits.
- Outflows:
  - Expenses of raising kids.
  - Property tax.
  - Home insurance.

4.2 Business Income

- Increased tax burden if you earn your own business, as you do not have an employer to pay CPP and EI.
- Increased liabilities include:
  - No withholding taxes.
  - Double CPP & EI.
  - Potential HST/GST registration.
  - Access to numerous deductions, mainly including expenses required to generate business income.

4.2.1 Employee vs Self-Employed

- Indicates in the Contract:
  - Invoicing of services → self employed.
  - Registration of GST → self employed.
- Control Test:
  - Controlled hours → employee.
- Ownership of Tools → self employed.
- Risk of Profit and Loss:
  - If you bear the risk → self employed.
- What is each party's preference?
  - Employer = prefers self-employed.
  - The CRA = prefers employee.
  - The worker = depends.

4.2.2 Revenue/Expenses for Business Income

- Revenue is reported on an accrual accounting basis to ensure tax is paid on recognized revenue.
- Types of Deductible Expenses:
  - Home office related expenses based on proportion used for business income.
    - Rent, utilities, property tax, insurance.
  - Vehicle related expenses based on portion usable for business income.
  - Advertising/marketing.
  - Interest, CCA.
- Non-Deductible/Limited Expenses:
  - Personal expenses.
  - Fines and penalties.
  - Meals and entertainment (can only take 50%).
  - Recreational facilities.
  - Political contributions.
  - Capital expenditures.

4.2.3 Capital Cost Allowance

- CCA: Tax term of depreciation, which is used as a declining balance to reflect intrinsic value.
- Pooling of Assets:
  - Class 1 Building: 4% (residential) or 6% (commercial).
  - Class 8 Machine and Equipment: 20%.
  - Class 10 Vehicles: 30%
  - Rates are a maximum.

- General Process = Beginning UCC + Purchases - Disposition = Ending UCC/Beginning of Next Year UCC.
  - Disposition: Lower of cost or proceeds to isolate capital gain.
    - When proceeds are higher than the cost, there is capital gain.
    - There is never capital loss when proceeds are lower than cost.
    - If LOCP > UCC, there is recapture.
    - If LOCP < UCC, there is a terminal loss.
  - Make first year adjustments if there is a net addition.
  - CCA = Beginning UCC * CCA Rate.
  - Both CCA and UCC decline.
  - Half Year Rule: Only 50% of the net purchase is depreciable in the first year, but this does not apply for net disposition, or when sale proceeds are higher than cost.
    - Recently suspended to create an accelerated investment incentive, which allows for 150% CCA in the first year.

4.2.4 HST/GST Registration

- Required if sales > $30,000.
- Remit GST/HST to the CRA.
- Only businesses can register for this.
- GST is collected from clients.
- Entitled to receive Input Tax Credits.

4.2.5 Incorporating a Business

- The sole proprietor becomes the shareholder if you convert from sole proprietorship to CCPC.
- Access a much lower tax rate with a CCPC, 15% on up to $500k of income.
- Pros of Incorporating:
  - Much lower tax as long as profit doesn't leave the company.
  - Limits your legal liabilities.
- Cons of Incorporating:
  - Corporate loss cannot be used to offset income from other sources.
  - Hard to avoid individual dividend tax if corporate profit is used for personal purposes.
  - Administration Burdens:
    - Separate bank account.
    - Corporate tax return.

4.3 Rental Income

- Income is relatively passive in nature:
    - If a loss is generated, they can be used against other sources of income.
    - You must have a reasonable expectation of profit, and your expenses must appear as reasonable.
    - Airbnb can also be considered as rental income.
        - However, it is considered as business income if services are provided (i.e., bed and breakfast).
- Deductible expenses include:
    - Mortgage interest.
    - Repair and maintenance.
    - CCA on property and appliances.
        - CCA cannot be taken to create or increase rental loss.
    - Property tax.
    - Utilities.
    - Advertizing.
    - Property management fee.

4.4 Tax Instalment

- Income not subject to withholding is subject to installments.
    - Quarterly installments for individuals.
    - Quarterly or monthly instalments for corporations.
- Amount is based on past year or current year experience.
- Individuals with employment income usually don't have installments.
- Current year and one of prior two years' tax payable > tax withheld by 3,000.
- Options for Quarterly Installments:
    - ¼ of estimated tax for the current year.
    - ¼ of tax payable for the previous year.
    - Q1, Q2: ¼ of tax payable second prior year and Q3, Q4: ½ of tax payable prior year - Q1 and Q2.

4.5 Tax Residency

- Non-residents pay tax on Canadian-sourced income.
    - Employment income earned in Canada.
    - Business income earned in Canada.
    - Property income distributed from Canada.
    - Properties disposed of in Canada.
- Tests for Tax Residency:
    - Primary Ties:

        - Dwelling place (suitable for year round occupancy, owned or leased) in Canada.
        - Spouse or common-law partner or dependents in Canada
    - Secondary Ties:
        - Economic Ties (Bank account, investments).
        - Personal Property (Car, furniture).
        - Social Ties (Church membership).
- You may be considered a **deemed** resident if you are in Canada for more than 183 days.

4.6 Income Attribution

- In Canada, each individual pays their own taxes.
- Individuals with high tax rate has an incentive to split income to related persons to reduce overall tax.
- Income attribution allocates income earned on property that was transferred to a related person back to the original owner.
- Property Income:
    - Transfer could be done as a gift or sales loan.
- Applied to spouses or minor children.
- To avoid income attribution, FMV consideration must be paid.
    - Prescribed interest must be paid if property is loaned.
    - For spouses, they must still offer FMV consideration and elect out of spousal roll over.

4.6.1 Ways to Split Income

- Spousal RSP Contribution:
    - One can contribute to their spouse's RSP account if there is unused room, the contributing spouse will get the deduction.
    - Money can be gifted to make an RSP contribution.
- TFSA:
    - Money can be gifted to make a TFSA contribution.
    - No spousal attribution will happen.
- FHSA:
    - Money can be gifted to make an FHSA contribution.
    - You cannot directly contribute to your spouse's FHSA account.
- RESP:
    - Contribute to your spouse's or children's RESP.
    - However, there is no income attribution.

4.7 Life Insurance, Home Insurance, Property Tax

4.7.1 Life Insurance

- Death Benefit: Pays cash to beneficiaries when the insured individual dies.
- Two Types:
    - Term Life:
        - 10-year, 20-year, 30-year.
        - Premium increases at renewal.
        - No cash value.
        - Can choose death benefit.
    - Whole Life:
        - Insured for a lifetime.
        - Higher premium.
        - Fixed premium.
        - No renewal.
        - Rate of return is relatively low compared to stocks or an ETF.
        - Has cash value which grows over time.
            - If surrender, cash value goes to the policy holder.
            - If death benefit is claimed, cash value goes to the insurance company.

4.7.2 Home Insurance

- Covers:
    - Damage to home structure.
    - Personal belongings.
    - Liability protection.
    - Possibly required by mortgage providers.
- Not Covered:
    - Flooding.
    - Earthquake.
    - Sewer backups.

4.7.3 Property Tax

- Based on the assessed value of the property.
    - Paid monthly.
    - Not FMV.
- Includes city tax, regional tax, and education tax.
- Finances city, region, and education.

5.0 Retired Life

5.1 Retirement in Canada

Three Key Ages:

- 55: Earliest age to access pension, however you will likely get a penalty.
- 65: Standard retirement age.
- 71: The latest to start withdrawing from retirement savings.
  - Transfer your RRSP to an RRIF.
  - There is a minimum withdrawal amount each year.
  - Income needed for retirement should be about 60%-70% of pre-retirement income.

5.2 CPP

Canadian Pension Plan: Government-run pension program funded by employees, employers, and self-employed individuals.

- Contribution rate is 5.95% at pensionable earnings.
  - Maximum pension earnings if $71,300:
    - First $3,500 is exempt.
    - Contribution approx $4,000 per year for the employee and employer.
- There is enhanced CPP contribution.
  - Boost future benefits for retirement.
  - Enhanced CPP contribution is a tax deduction.
  - First Tier: 1% up to $71,300.
  - Second Tier: 4% from $71,300 to $81,200.
- CPP Retirement Benefit:
  - Depends on how much and how long you have contributed.
    - Average pensionable earnings up to the limit.
    - Must contribute 10 years to qualify.
  - Max CPP: $1,400 per month as long as you have contributed over 10 years.

5.3 EI

Premium is Based On:

- Yearly maximum insurable earnings = $63,500 for 2025.
  - 1.66% paid by employee.
  - 2.324% paid by employer.
- Individuals older than 65 can still be covered by EI given that they continue to pay the premium,
- EI pays 55% of your average insurable weekly earnings.
- Employer may provide top-ups.

5.4 OAS

Old Age Security: A government-funded pension program providing retirement income to eligible seniors.

- Eligible if you are a Canadian citizen or PR aged 65 or older, must have lived in Canada for 10 years after age 18.
- Max $800 per month:
  - 15% clawback if Division B exceeds $90,997.
  - Taxable income.

5.5 GIS

Guaranteed Income Supplement: Extra support for low-income seniors.

- Only available to low-income seniors receiving OAS.
- GIS is income-tested and non-taxable.
- Monthly max payment = $1,000.

5.6 RPP

Registered Pension Plan: Taxable retirement income.

- Defined Benefit:
  - Paid for a lifetime.
  - Benefit depends on length of service, and salary.
  - Can access as early 65.
- Defined Contribution:
  - Paid from a balance.
  - Balance in pension continues to grow.
  - Can access as early as 55.

5.7 RSP

RSP: Individual pension plan.

- There is no minimum withdrawal age, you just have to pay tax.
- At the age of 71, you have three options:
  - Take out a lump sum.
  - Purchase a life annuity, paying a fixed amount until you die.
    - Annuity is fully taxable.
  - Convert to Registered Retirement Income Fund, minimum withdrawal required.

5.8 Income Splitting

What income can be split?

- CPP: Can be split 50/50 with spouse.
- Pension Income:
  - Includes RPP, RSP, RRIF.
  - Transferring spouse must be 65 or older.
  - Receiving spouse doesn't have to be 65.
  - Can split up to 50% of pension income, which is optimal.

5.9 Tax Credits for Seniors

- Age Credit:
  - For anyone over the age of 65.
  - Credit base is $8,792, but is reduced if Division B i
  - Credit base is $8,792, but is reduced if Division B income exceeds $42,353.
    - The base is reduced by 15% of the excess.
- Pension Income Credit:
  - Anyone with a pensionable income.
  - Credit base is the lesser of $2,000 or pension income.
- Disability Tax Credit.
- Canada Caregiver Credit.
- Charitable Donation Credit:
  - 25% for the first $200.
  - 50% for the amount by which taxable income exceeds $246,752.
  - 46% for the rest
- Medical Credit:
  - 25% of the medical expenses of the lesser of:
    - $2,759.
    - 2% of Division B Income.

5.10 Inheritance

Does an estate or inheritance tax apply when someone dies?

- No, but there might be capital gain tax or probate fees.
- When someone dies, they are automatically selling their assets at FMV.
- The deceased pays tax on their final tax return.
- Spousal rollover to surviving spouse.

Inheritance of Retirement Accounts:

- RSP/RRIF can be rolled over to spouse tax-free.
- Defined Benefit Company Pension:
  - Spouse typically receives a survivor pension until their death.

    - Other beneficiaries may receive a lump sum.
- Defined Contribution Company Pension:
    - Balance rolls over to the spouse's RSP/RRIF tax-free.
    - After-tax amount distributed to other beneficiaries.

Government Retired Accounts:
- CPP death benefit.
- OAS stops once the recipient dies, but a clawback might apply on their final return.
- CPP/OAS may continue to pay by mistake.

5.11 Estate

- An estate exists when a person passes away and leaves behind assets and debts that need to be managed before distribution to beneficiaries.
    - Bank accounts, real estate, investments, vehicles, business interests.
    - Taxes, loans, and credit cards.
- Assets with named beneficiaries don't go to estate (i.e., RSP).
- Everything that goes to the estate is subject to a probate fee.
    - In order to reduce:
        - Name beneficiaries.
        - Joint ownership.
        - Gift assets before death.
        - Use a trust, where other benefits include control over distribution, asset protection, gradual transition of assets, and privacy.