

Helpful Information on Settling the Estate of a Deceased Spouse

The loss of a loved one is not only a stressful time for the surviving spouse, but there are also important financial issues to deal with. Here is a quick checklist.

Locating the Will

The Will determines to whom and how the deceased's assets are to be distributed. If the surviving spouse encounters difficulty locating the Will, they should try contacting lawyers that the deceased person dealt with in the past. (If the deceased died without a Will, provincial law determines how their assets will be distributed.)

Duties of an Executor

If the surviving spouse is named as the executor in the Will, they will take charge of the affairs of the estate and be responsible for gathering and distributing the assets in accordance with the Will. Here are some responsibilities of an Executor:

- Making funeral arrangements
- Applying for any amounts payable to the estate under insurance policies
- Contacting the deceased's employer or former employer to request payment of survivor pensions or transfer of pension benefits.
- Making an inventory of the deceased's assets
- Advertising for creditors and paying all outstanding debts (including income taxes) of the deceased
- Applying for probate (Note: In Quebec, notarial Wills are not required to be probated.)

The purpose of probate is to obtain the court's declaration that the deceased's Will is valid and if the executor has the authority to administer the estate. Most financial institutions require probate before they will release a deceased person's assets. Probate fees are charged by the courts. The amounts vary by province.

- Notifying government agencies regarding Canada Pension Plan (CPP) / Quebec Pension Plan (QPP) and Old Age Security (OAS) payments

The following benefits may be available under CPP:
Death Benefit: a one-time payment up to a maximum of \$2,500.
Survivor Pension: a monthly benefit paid to the spouse or common-law partner of the deceased contributor.

Children's Benefit: a monthly benefit paid to a dependent child of the deceased contributor who is either under age 18, or between the ages of 18 and 25 and in full-time attendance at a school or university.

- Filing income tax returns for the deceased and the estate:

A terminal T1 income tax return must be filed to report income earned by the deceased up to the date of death. This return must be filed by April 30th or six months after death, whichever is later.

An executor can file the following additional optional returns (if applicable) to take advantage of the basic personal exemption credit for each return:

- Return for Right or things for amounts that had not been paid to the deceased at the time of death.
- Return for a partner or proprietor if the deceased partner had been a partner in, or the sole proprietor of, a business.
- Return for income from a testamentary trust for a deceased partner who had received income from a testamentary trust.

The executor must file a T3 Trust Income Tax Return for the estate as a trust on any income earned after the death of the deceased but before the assets are distributed.

- Obtaining clearance certificate indicating taxes are paid.
- Distributing the assets according to the instructions in the Will.

Registered plans (RSPs and RIFs) belonging to the deceased can generally be transferred on a tax-deferred basis to a spouse or common-law partner or a financially dependent child.

The spouse or common-law partner of a deceased Tax-Free Savings Account (TFSA) holder who is named as the sole beneficiary will become the "successor holder" and the TFSA will maintain its tax-exempt status.

The above is a checklist for quick reference only; it is important to obtain the help of professional tax and legal advisors where necessary.

The information in this bulletin is for the internal use only of advisors within TD Wealth Management. This bulletin was prepared by the Wealth Planning Support team. Please contact us at 1-866-866-5166 or via e-mail tdawps@td.com if you have any questions.