# Reduce estate administration taxes with smart investments

*If you're like most investors, estate administration (commonly referred to as probate) is probably high on the list of things you'd rather not think about.*

But the good news is that, although administering a will can be time consuming and expensive, there are ways you can structure your investments now to reduce or in some cases possibly eliminate the administration costs and tax involved in estate administration.

**The costs of estate administration**
Estate administration is the process of establishing the validity of a will. Ensuring a will is valid is the first step to transferring assets to your heirs after you die. Not all estates need a certificate of appointment from the court, but financial institutions need to be confident they're dealing with the right person before they will distribute assets.

The estate administration process involves the provincial government, which, of course, charges a fee (estate administration tax) based on the value of your estate. In addition to the tax itself, your estate may have to pay legal fees, accounting fees and executor fees before your heirs receive their inheritance. Because of the paperwork and procedures involved, depending on the size and complexity of the estate, the process can sometimes take years.

**Your options**
Your Certified Financial Planner can help you consider possible options for organizing your assets with a view to reducing estate administration tax and expenses and ensuring your wishes are carried out as promptly as possible after your death. Here are some examples of investments that may pass directly to your beneficiary, thereby avoiding estate administration, similar to life insurance and trusts.

**Investing your non-registered money in segregated fund policies**
Unlike mutual funds and other non-registered/non-life insurance investments, segregated fund policies issued by a life insurance company let you designate a beneficiary. That means the assets within your segregated fund policy can flow directly to your beneficiary, bypassing the estate and potential estate administration taxes.

**Adding a co-owner to your investments**
Investments that you own jointly "with right of survivorship" will generally bypass the estate. For example, if you have a non-registered investment, consider adding your spouse as a co-owner.  The asset will flow directly to the survivor, bypassing the estate and potential estate administration tax. You can also add adult children instead of, or in addition to, your spouse.

However, the decision to name a co-owner for your property is not for everyone and should only be made with a full understanding of the implications. Co-owners have equal rights to the asset, so you would give up full control. As well, there could be tax implications when adding a co-owner. For example, naming a co-owner may be considered for income tax purposes a transfer of part of your interest in the property and may in some cases potentially trigger deemed capital gains for the original owner.

**Designating a beneficiary for your registered investments**
Outside of Quebec, you can designate a named beneficiary other than the estate for your registered retirement savings plan (RRSP) and registered retirement income fund (RRIF). That means the assets will flow directly to the beneficiary when you die, bypassing the estate and potential estate administration tax. Again, there are income tax considerations that should be taken into account, such as the potential for tax liabilities to the estate if the RRSP or RRIF goes to someone other than a spouse or disabled adult child.

Your professional advisors can help you to decide if any of these options may be appropriate for you.

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