AN ESTATE PLANNING STORY · FOR ALBERTA FAMILIES

# A Tale of Two Estates

*Two Cochrane families. The same* **$8 million**, *built over the same lifetime. One plans for the day it transfers; the other assumes there's no estate tax to plan for. Their children inherit very different numbers.*

**Canada has no inheritance tax and no estate tax. What it has is a rule that quietly does the same work — and the families who don't see it coming pay the most.**

On the date of death, a person is *deemed to have sold* every capital property they own at fair market value. Decades of accrued gains — on the business, the rental, the portfolio, the cottage — crystallize at once, on a single final return. What you plan for, you can shape. What you don't, Canada Revenue Agency collects first.

Both families begin in exactly the same place — an estate worth about **$8.0 million**, built over four decades in Alberta.

Family business (CCPC) **$4.0M** · Rental property **$2.0M** · Investment portfolio **$1.0M** · RRIF **$0.6M** · Cottage **$0.4M**

**FAMILY A** · the Bauers

*"There's no estate tax in Canada — we'll deal with it later."*

No structures. No coordination. No conversation with the children. The plan is the will, and the will is in a drawer.

**FAMILY B** · the Caldwells

*"Let's get organized while we still have choices."*

An estate freeze, a family trust, tax-smart giving, and an early family meeting — coordinated years before they were needed.

THE ONLY DIFFERENCE BETWEEN THEM

*It isn't luck, returns, or the size of the estate. It is* **whether the plan was made while there was still time to make it.**

# A Family A goes in blind

The Bauers were sure they had no estate problem — there's no estate tax, after all. Then Dave passed, and two years later Marie. Everything they owned was *deemed sold* on her final return in a single year. There was no spouse left to defer to, no exemption claimed, no liquidity set aside. The gains of a lifetime arrived all at once — and the tax came due before the children inherited a dollar.

**WHAT DEATH COST THE BAUERS**

| THE ASSET | WHAT HAPPENED ON THE FINAL RETURN | TAX TO CRA |
|---|---|---|
| **Family business**<br>CCPC shares · $4.0M | Deemed sold at fair market value. No estate freeze, no Lifetime Capital Gains Exemption claimed — the full gain crystallized. | ≈ $910,000 |
| **Rental property**<br>$2.0M · cost $0.4M | The entire $1.6M gain realized at once — with no cash to pay it, the estate had to sell. | ≈ $384,000 |
| **RRIF**<br>$0.6M | Collapsed fully into income in the year of death, taxed near the top bracket. | ≈ $288,000 |
| **Investment portfolio**<br>$1.0M · cost $0.5M | $0.5M gain realized. Nothing was donated, so nothing was sheltered. | ≈ $120,000 |
| **Cottage**<br>$0.4M · cost $0.1M | A second property — fully exposed to the gain, with the principal-residence exemption used on the home. | ≈ $72,000 |
| **Total surrendered to Canada Revenue Agency** | | **≈ $1.8M** |

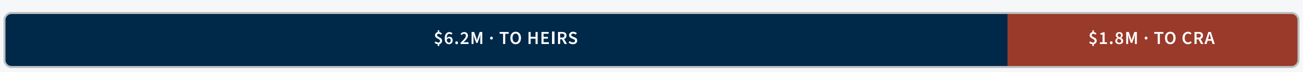
*Illustrative only — not a tax estimate. Assumes an Alberta resident, a 50% capital gains inclusion rate, nominal cost bases where shown, no rollover or exemptions claimed, and an assumed 48% top marginal rate. Actual outcomes depend on the year-of-death return, province, adjusted cost base, and tax law in effect. Figures are rounded.*

**THE COST THAT DIDN'T SHOW UP ON THE RETURN**

The children first learned the estate's terms from a lawyer reading the will. No one had explained who would get the cottage, or why. Within a year the family was no longer speaking — the most expensive line item never appeared on any tax form.

### Where the Bauers' $8.0M ended up

After-tax · to the next generation




**$6.2M** inherited by the children · **$1.8M** lost to tax that planning could have shaped · **$0** to causes they cared about

# B Family B plans ahead

The Caldwells owned the same things the Bauers did. The difference is that, a decade earlier, they treated the eventual transfer as a project — with their advisor as the quarterback connecting the accountant, the tax lawyer, and the insurance specialist. By the time it mattered, each asset already had a plan, and the cash to fund it.

- **The estate freeze + family trust**
  Robert froze the business at its value years ago; a family trust holds the future growth and lets the gain be shared across three beneficiaries — multiplying the Lifetime Capital Gains Exemption.
- **Liquidity by design**
  A joint partner trust and a life-insurance policy fund the tax on the rental and cottage — so the heirs keep the properties instead of being forced to sell at the worst moment.
- **Giving that gives back**
  Instead of cash, they donated $0.5M of appreciated securities◆ *in-kind* to a donor advised fund — eliminating the capital gain entirely and earning a credit that offset other tax.
- **The conversation, held early**
  Five years out, the Caldwells told their children the plan and the reasoning. There were no surprises to litigate — only decisions to understand.

**THE SAME ESTATE, ORGANIZED**

| THE ASSET | THE STRUCTURE THAT DID THE WORK | TAX TO CRA |
|---|---|---|
| **Family business**<br>CCPC shares · $4.0M | Estate freeze caps the gain; the family trust multiplies the LCGE across three beneficiaries. | **≈ $250,000** |
| **Investment portfolio**<br>$1.0M | $0.5M donated in-kind to a DAF — capital gain eliminated, donation credit earned and applied. | **≈ $0** |
| **RRIF**<br>$0.6M | Drawn down on a planned schedule and topped up with insurance, smoothing the bracket. | **≈ $150,000** |
| **Rental + cottage**<br>$2.4M | Held in a joint partner trust; insurance funds the tax so the properties stay in the family. | **≈ $300,000** |
| **Total to Canada Revenue Agency**<br>+ $0.5M directed to the causes the Caldwells chose | | **≈ $0.7M** |

*Illustrative only — not a tax estimate. The structures shown (estate freeze, family trust, joint partner trust, in-kind giving, insurance funding) are technical and depend on eligibility, timing, and current law. The LCGE is $1,250,000 for 2025 dispositions and is indexed; QSBC qualification, attribution and TOSI rules, AMT, and trust terms all affect the result. Confirm every figure with qualified tax and legal advisors.*

### Where the Caldwells' $8.0M ended up

After-tax · to family and community


**$6.8M** inherited, properties intact · **$0.7M** to tax · **$0.5M** to their community, by choice

# The reckoning: same estate, two endings

Place the two outcomes side by side and the lesson is unmistakable. The Bauers and the Caldwells started with the identical $8.0 million. The only variable was the planning — and it moved more than a million dollars from the tax bill into the hands of the people and causes the family cared about.

**FAMILY A · THE BAUERS** — WENT IN BLIND · TO HEIRS **$6.2M**

| $6.2M TO HEIRS | $1.8M TO CRA |
|---|---|

**FAMILY B · THE CALDWELLS** — PLANNED AHEAD · TO HEIRS **$6.8M**

| $6.8M TO HEIRS | $0.7M CRA | $0.5M CAUSES |
|---|---|---|

*Illustrative comparison only, drawn from the assumptions on the previous pages. Both estates total $8.0M; segments show the after-tax split. Actual results vary with assets, timing, eligibility, and tax law. Not a projection of any client's outcome.*

**$1.1M** *redirected from the tax bill to family and community —* **$0.6M more to the Caldwell children and $0.5M to causes they chose**, *instead of a larger cheque to CRA. Same estate. Different plan.*

WHAT MADE THE DIFFERENCE · 01

### Structures that fit the assets

An estate freeze, family trust, and joint partner trust, all in place years before death.

WHAT MADE THE DIFFERENCE · 02

### Tax-smart generosity

Appreciated securities gifted in-kind turned a tax bill into a charitable credit.

WHAT MADE THE DIFFERENCE · 03

### The conversation, on time

An early family meeting aligned the heirs and protected the relationships.

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## Which estate will yours be?

The difference was a plan made in time. In a **complimentary conversation**, we'll map your deemed-disposition exposure and the structures that can reduce it. We work alongside your advisors; **CWM does not provide tax or legal advice.**

> Our work is to help your family finish like the **Caldwells**, not the **Bauers**.

WE COORDINATE WITH

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