



CESTNICK

TAX MATTERS

Focus on the 10 Ds for tax and estate planning in the new year

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Maybe you remember where you were when the clock struck midnight on Dec. 31, 1999, and the calendar turned to 2000. It was Y2K. Many thought that critical infrastructure was going to fail, including power grids shutting down, banks collapsing, air traffic control crashing and hospital equipment malfunctioning.

Instead, the big event, for me, was that someone went home from a party with my pants. No, really. I had changed into a tux and left them on a chair. The bottom line? The lack of catastrophe reflected an enormous, coordinated global effort.

If you remember being at a party that night, you're getting old. Old enough to prioritize tax and estate planning in 2026 – and it's going to take another coordinated effort to avoid catastrophe. So, today, I'll introduce the 10 Ds of tax and estate planning, and will share more about some of these starting next week so that you start the new year on the right foot.

Tax planning

Anything you might do to save on taxes will fall under one of these pillars.

Deducting: This involves claiming all relevant deductions and credits. A deduction reduces your taxable income and saves an amount equal to the expense paid multiplied by your marginal tax rate. A credit reduces your taxes dollar-for-dollar and is calculated as a percentage (14 per cent federally in 2026) multiplied by some base amount for the credit.

Deferring: This is about pushing a tax bill to a future year. Suppose you owe \$1,000 in taxes and can defer this for 10 years, earning 6 per cent annually. You could set aside \$558 today, watch it grow to be \$1,000 in 10 years, then pay your taxes. Your tax bill cost you just \$558 today – not \$1,000.

Dividing: Otherwise known as income-splitting, this involves moving income to the hands of a family member who will pay tax at a lower rate. This allows you to use up the lower tax brackets of your family. You'll save the difference between your marginal tax rate and that

of your family member, multiplied by the amount of income moved to them.

Disguising: No, I'm not talking about using an alias and hiding from the tax man. It involves disguising – or converting – one type of income to another that will be taxed at lower rates. Interest, employment and other regular income is taxed most highly. Capital gains are taxed at half those rates, and Canadian dividends are taxed between regular income and capital gains.

Dodging: Sure, this idea might sound evasive – but it's legal. This is the idea of structuring your affairs so that some of the income or financial benefits you receive don't have to show up on your tax return at all. The result? Tax-free cash flow or benefits.

Estate planning

Here are the five elements of a good estate plan.

Defining: When thinking about your estate planning, you need to define two things: (1) what's most important to you, and (2) who you want to benefit from your assets (including when and how much). The former represents your core values and should inform your planning. If philanthropy is important to you, for example, you might include charitable gifts in your will.

Designing: You should then design the strategies to transfer your estate to your heirs. These should be driven by your objectives, which might include minimizing taxes on death, ensuring your spouse maintains their standard of living, providing proper management of your assets when you've passed, watching your children enjoy some of their inheritance today, ensuring your

kids are looked after and maintaining family harmony after you're gone.

Documenting: Documenting your estate plans involves preparing three documents: (1) your will, (2) powers of attorney, and (3) other information, such as a Letter of Wishes ([see my September article on the topic](#)). Dying without a will is called dying "intestate" and leaves you no say in how your estate is divided, in addition to costing your heirs time and money.

Discussing: Many parents avoid conversations with their kids about estate plans because they don't want them to feel entitled or know how much they might inherit. Kids, on the other hand, won't start the conversation because they don't want to seem greedy or overly curious. A message to parents: talk about your plans to maintain family harmony and avoid confusion.

Distributing: You have two choices when it comes to the timing of distributions to your heirs: during your lifetime or upon death. And you might choose both. You'll also need to be clear about whether distributions made today are advances on their inheritance or are over-and-above what their share of your estate would otherwise be. Your will can be worded to deal with this the way you prefer.

Focus on these 10 Ds in 2026 and you'll be in good financial shape.

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