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Phone: (800) 668-6481 | Fax: (905) 479-3758 | John.Carson@lexisnexis.ca

Loyalty Programs

Loyalty programs, gift cards: Key points for estate planning

By **Sharon Hartung**

Sharon Hartung

(February 19, 2020, 8:39 AM EST) -- Here are the key points and questions to ask clients regarding their favourite loyalty, travel reward or frequent shopper programs.

1. Digital assets inventory. Encourage clients to create a digital assets inventory as part of their estate inventory and include their loyalty, rewards and frequent shopper programs.

2. Ferret out the big-ticket items. It wouldn't be far reaching to assume that a client has at least one loyalty point or rewards program that they are "saving up." Similar to key physical assets, you'll want the client to highlight the significant items of financial or exchangeable value. This should include a review of the terms of service for high value programs and a cautionary statement to clients that the terms could change.

3. Pay particular attention to business owners, sole proprietors or gig economy workers. Whose name are these loyalty programs in? What are the expectations or terms of reward for points collection? Are they covered by business/employee agreements or business succession plans?

4. Encourage the client to talk with their fiduciary and, if applicable, document in an appropriate legally recognized instrument. Without guidance and direction, regardless of the volume of digital assets, estate administration for fiduciaries can be complicated. The fiduciary may be faced with how to divide a digital estate. Are the loyalty points to be split a number of ways, which might not be possible, or are they to go to one person, and if so, is there a value to be placed on their resulting estate allocation, or is it up to the fiduciary to decide? If anything, this could also be about reducing the risk of beneficiary squabbles and disputes, which are not always isolated to high value assets, but are just as likely occur over low valued and sentimental items.

6. One option for clients is to donate unused loyalty program points and gift cards to charity. It depends on the charity, but unused gift cards and loyalty/reward points can go a long way. Some programs are available and accessible within the provider themselves, such as Air Canada. Clients will have to review with the receiving charity and obtain tax advice on whether these gifts are eligible for donation receipts for income tax purposes.

7. Protecting for privacy, cybersecurity and identify theft. Part of the conversation in the online world involves a client's use of the Internet, usage hygiene, maintenance and good information technology practices. Encourage a client to prune or close accounts they no longer need. Using or transferring balances when they accumulate protects client estates by avoiding points value loss or expiration, which can occur upon inactivity.

Good usage habits also protect against cybercrime and identity theft. The U.K. National Cyber Security Centre recently issued guidance on the secure online shopping experience that included advice about not giving away too much information by being selective and cautious about what information you provide. This not only applies when making a purchase, but when setting up online or loyalty/rewards accounts. Consider how much personal information you provide for even one hotel loyalty program.

8. Beyond the technology management aspects of digital assets, there are considerations for estate administration such as jurisdictional laws, taxes and valuation for probate that apply depending on their size, type, nature, collective value and holder's use. Currently, CRA doesn't view loyalty/reward points as taxable provided they are not work related, but there are circumstances when they are. As the volume, nature and collective value of these types of digital assets changes, it's prudent to stay current as jurisdictional laws and rule changes.

When you consider the value Canadians are accumulating in loyalty programs combined with the financial and sentimental value of other digital assets, estate values add up. Be aware of the lack of consistency in terms of service between technology providers and identify significant digital assets in client portfolios as they may have relative worth upon death.

As reported by the CBC, a widow in British Columbia waited months for her late husband's PayPal account to be transferred. This is not an isolated story. Collectively, as an estate industry we have an obligation to make clients aware of the potential value digital assets have within their portfolios and estates.

Hopefully, as consumers become more informed, they will exert pressure on the marketplace for more preplanning options to streamline estate administration for all online accounts such that beneficiaries can benefit from digital assets the same way they do for other assets of financial and sentimental value.

This is the second of a two-part series. Read part one: Loyalty programs, gift cards: Impact on estate planning.

Sharon Hartung,TEP, is the founder and principal of Your Digital Undertaker *and has over 30 years of experience in IT management, project management and consulting. She is the author of the newly published* Your Digital Undertaker — Exploring Death in the Digital Age in Canada*.*

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