

Debts and Liabilities

When you die, your debts don't disappear.

Your executor has to pay them from your estate before distributing anything to your beneficiaries. That means selling assets if necessary, using cash in bank accounts, or claiming on insurance policies.

Some debts are secured (like a mortgage, which is secured against your house). If the debt isn't paid, the lender can take the asset.

Other debts are unsecured (like credit cards or personal loans). If your estate doesn't have enough money to pay them, the creditors might miss out.

Your executor needs to know what you owe, who you owe it to, and how much.

What kinds of debts matter?

Here are the most common debts in Canadian estates:

Mortgages. Already covered in the Property section, but worth noting again. If you have a mortgage, your executor needs to either pay it off, keep making repayments until the property sells, or transfer the property (with the mortgage) to a beneficiary.

Credit cards. Your executor needs to notify the bank, pay off the balance, and cancel the card. If you have multiple credit cards, list them all.

Personal loans. Bank loans, peer-to-peer loans, or loans from finance companies. Include the lender, account number, and outstanding balance.

Car loans or equipment finance. If you're still paying off a car, RV, boat, or equipment, your executor needs to either pay it off or transfer it to a beneficiary who takes over the payments.

Some government student loans may be forgiven on death, but the rules differ between federal, provincial, and private or bank loans, so don't assume a balance simply disappears. Your executor should confirm the treatment of each loan with the lender or program and notify the CRA to close your tax file. But they should still notify the CRA to close your tax file.

Buy now, pay later accounts. Afterpay, Klarna, PayBright, etc. If you have outstanding balances on these accounts, your executor needs to pay them off and close the accounts.

Amounts owed to the CRA generally need to be dealt with as part of settling the estate, and the order in which estate debts are paid is set by law. Because getting that order wrong can create personal liability for an executor, your executor should work with an accountant and the estate lawyer before distributing anything.

Personal guarantees. If you've guaranteed someone else's debt (for example, you guaranteed your child's business loan or your spouse's credit card), your estate might be liable if they default. Include details of any personal guarantees you've given.

Liens or judgments. If someone has sued you and won a judgment, or if there's a lien against your property, your executor needs to know. These debts must be paid before the property can be sold or transferred.

What about joint debts?

If you have a loan held jointly with someone, that debt usually continues after you die, and the other borrower may remain responsible, depending on the terms of the loan. Your executor should check the specific agreement and confirm who is liable with the lender.

But if there's life insurance attached to the loan, it might pay out the balance when you die. Make sure your executor knows if you have loan protection insurance.

WHY THIS MATTERS

If your executor doesn't know about a debt, they might distribute your estate to beneficiaries and then discover the debt later. That creates a mess - they might have to claw money back from beneficiaries to pay creditors.

By documenting all your debts, you're making sure everything is paid in the right order and nothing is missed.

You've just prevented a major headache for your executor.

Your Debts and Liabilities

Everything you owe, so your executor can settle it from the estate, not chase it blind.

CREDIT CARD 1

BANK / PROVIDER

CARD TYPE

CARD NUMBER (LAST 4)

APPROXIMATE BALANCE

CREDIT LIMIT

CREDIT CARD 2

BANK / PROVIDER

CARD TYPE

CARD NUMBER (LAST 4)

APPROXIMATE BALANCE

CREDIT LIMIT

CREDIT CARD 3

BANK / PROVIDER

CARD TYPE

CARD NUMBER (LAST 4)

APPROXIMATE BALANCE

Your Debts and Liabilities (cont.)

CREDIT LIMIT

PERSONAL LOAN 1

LENDER

LOAN PURPOSE

ACCOUNT NUMBER

AMOUNT BORROWED

OUTSTANDING BALANCE

MONTHLY REPAYMENT

FINAL PAYMENT DUE

LOAN PROTECTION INSURANCE?

PERSONAL LOAN 2

LENDER

LOAN PURPOSE

ACCOUNT NUMBER

AMOUNT BORROWED

OUTSTANDING BALANCE

MONTHLY REPAYMENT

FINAL PAYMENT DUE

LOAN PROTECTION INSURANCE?

Your Debts and Liabilities (cont.)

CAR LOAN / EQUIPMENT FINANCE 1

ASSET BEING FINANCED	LENDER
OUTSTANDING BALANCE	MONTHLY REPAYMENT
LOAN PROTECTION INSURANCE?	AGREEMENT STORED AT

CAR LOAN / EQUIPMENT FINANCE 2

ASSET BEING FINANCED	LENDER
OUTSTANDING BALANCE	MONTHLY REPAYMENT
LOAN PROTECTION INSURANCE?	AGREEMENT STORED AT

BUY NOW, PAY LATER

PROVIDERS (AFTERPAY, KLARNA, PAYBRIGHT)	TOTAL OUTSTANDING
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Your Debts and Liabilities (cont.)

TAX & STUDENT DEBT

STUDENT LOAN is usually wiped on death, but notify the CRA. Check tax debts with your accountant.

STUDENT LOAN APPROXIMATE AMOUNT

CRA TAX DEBT TYPE

TAX DEBT AMOUNT

PAYMENT PLAN IN PLACE?

ACCOUNTANT NAME

ACCOUNTANT PHONE

PERSONAL GUARANTEE 1

If you guaranteed someone's debt and they default, your estate may be liable.

WHOSE DEBT

LENDER

AMOUNT GUARANTEED

CURRENT OR IN DEFAULT?

PERSONAL GUARANTEE 2

WHOSE DEBT

LENDER

AMOUNT GUARANTEED

CURRENT OR IN DEFAULT?

Your Debts and Liabilities (cont.)

LIENS OR JUDGMENTS

TYPE	AMOUNT OWING
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CREDITOR	DETAILS
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JOINT DEBT 1

The other person remains responsible for joint debts when you die.

TYPE OF DEBT	JOINT WITH
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LENDER	OUTSTANDING BALANCE
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JOINT DEBT 2

TYPE OF DEBT	JOINT WITH
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LENDER	OUTSTANDING BALANCE
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OTHER DEBTS

TYPE OF DEBT	CREDITOR
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Your Debts and Liabilities (cont.)

AMOUNT OWING

SECOND DEBT: TYPE

SECOND DEBT: CREDITOR

SECOND DEBT: AMOUNT

NOTES: ANYTHING ELSE ABOUT YOUR DEBTS