Summer 2021

Financial Decisions

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Protecting Your Paradise Future Considerations

When you think about the lazy, hazy days of summer, we all have different visions of our favourite moments. The sights of sunlight glistening on the water, the mist rising in the early morning, deeply hued sunsets, darting fireflies or an ink black sky full of the milky way come to mind. Maybe it is the sounds of giggling children splashing in the lake, sitting on the dock hearing the lapping waves, the smell of campfire, roasting marshmallows or the distinctive call of the loon that you love best.

Regardless of what it is that makes your ideal place for special family times, the future of your get-away has tax waiting to be paid within it.

During the past year, camps or cottages have become prime real estate with prices rising even more than those in the city. The increase in value is a capital gain if a second property either when you sell or upon death if it goes to children. If you plan to sell in your lifetime, you could change the designation of the property to your principal residence that you can then sell tax free, using the principal residence exemption. Of course, you do need to keep it as your principal residence for a reasonable time before selling to avoid tax questions.

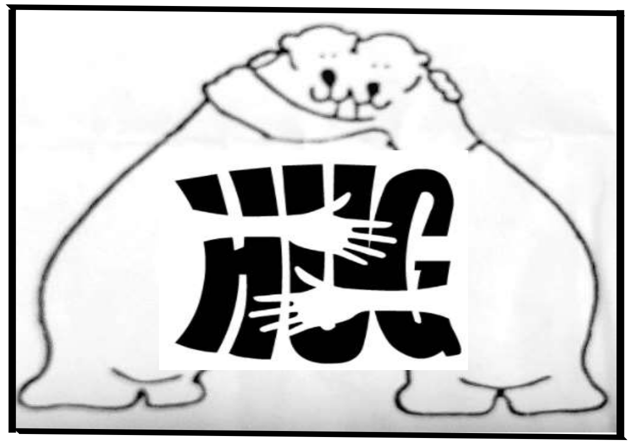
You have some options to deal with the tax on vacation property going to the next generation but it is important to look at all the factors as there is more than tax to consider. Even though the kids and grandkids love to visit, that does not mean they may want to own the property and undertake the responsibilities of the maintenance and bills. There may also be family dynamics among the children as to who is interested and who they may or may not want to own a piece of camp.

Once you know the family members that are truly keen on taking over from you, it is possible to turn to what you wish to do in reducing taxes. The simplest option is to assess the approximate tax bill and purchase life insurance to cover that cost, if you are healthy and under age 70, to make this option financially feasible. You can also transfer ownership into the names of the children with them paying the capital gain at the proportion they are receiving as that is still a bargain for them.

If you are contemplating buying a vacation site, it is possible to have it purchased through a family trust to reduce future capital gains and it could then be deferred for 21 years or transferred to the beneficiaries or another trust (alter ego, spousal or partner) to have it outside of the estate avoiding taxes until the death of the last beneficiary.

Being prepared for the serious side of camp allows you to kick back, relax and soak in all that our great Northern land has to offer, worry free.

Ready for Hugs



With Covid on the decline and more of us becoming fully vaccinated the opportunity to hug again is top of mind for many. It has been so long since we have had the chance to safely hug family and friends. Hugs are not only nice they are needed. It has been proven that hugs can help relieve pain and depression. They can make the healthy healthier, the happy happier. Hugging feels good, overcomes fears, and eases tension. Hugging does not upset the environment and requires no special equipment. The world would be a better place with more hugs and now more than ever we can hardly wait.

Remembering The Pandemic

It seems like it has been a long time since we started wearing masks and living a life in many instances a lot different than what was previously considered normal. While we may want to forget this period, it would be good to have a record of what it was like for us when we think back and for those in the future who would like to know what we experienced.

The Blueberry Festival, cancelled again this year, is nevertheless holding an on-line event for those who want to recall these challenging times. There will be gifts as well for those who want to describe their story in “Covid Chronicles” or what new food recipe creations in “Covid Cuisine”.

For details go to: www.blueberryfestival.ca

See reverse for more news

There have been recent important changes in Ontario estate law that provide more clarity and in some cases make dealing with an estate easier.

Marriage no longer automatically revokes a will so it does protect from a senior marrying a young gold digger who prior to this legislation could get 100% of the assets upon death, regardless of those named in the will. Separated spouses in a will have their rights revoked at separation unless the will specifically identifies they are to receive particular assets, reducing the need for will changes immediately upon separation.

Leaping into the present, remote witnessing of wills via audio-visual technology is accepted, one benefit of the pandemic, which prior needed in person attendance. This will be the case going forward.

Smaller estates, with a value of $150,000 or less now file the less complex forms that may not require as much detailed back up reducing the stress and time for this work to be completed. The items that form an estate are anything that does not have a named beneficiary so accounts such as a TFSA, life insurance and RRSP with an individual named are outside of the estate. Although, probate and estate taxes are something everyone wants to reduce, the income tax can wind up costing more than what can be saved on these provincial death taxes.

Spouses can easily pass assets upon death to each other by being the successor holder of an RRSP, RRIF, or TFSA and other non-registered assets set up in joint name as this strategy means there is no estate or income tax for your better half. However, the only way for children or grandchildren to receive assets upon death is through a TFSA, naming them as beneficiary, after the successor holder or through life insurance. Naming a child as beneficiary on an RRSP or RRIF can avoid probate but not income tax, in fact, they will actually pay more tax using this strategy.

You are deemed to have sold everything the day before you die, in the eyes of the tax man so the RRSP or RRIF pay tax on the last tax return filed for the year of death. Then, if you have a named beneficiary who is not your spouse, a tax slip is issued for the amount they receive from the account that must be added to their income when they file their taxes, usually the following year. The impact is double taxation and less going to your family in the end. Although planning your estate is not a fun activity that you might undertake, it is one of the kindest and most valuable tasks you will ever do.

There can be no doubt that the pandemic has had an effect in many different ways and what the future holds is uncertain but time will tell.

Sudbury has been fortunate with many industries having done fine financially, although those in the retail, personal services and the arts sector have felt the full brunt of the lock-downs. For a large portion of our population, personal savings have gone up with the reduced spending on travel, entertainment or eating out which was an unexpected effect.

The stock markets have done better than expected with a number of investments having grown over this period. Another surprise is that home values have increased causing a rise in overall net worth of significance from the value before the pandemic.

This of course is good news and has many considering selling their home to reap the rewards. However, keeping the profits of a house sale only works if you are moving to an apartment or your camp as it is all relative if purchasing another house or condo. Even downsizing is tough due to the rise in prices with little opportunity to actually see the extra cash in hand. The increased house value does allow you to borrow more against it to take advantage of this boost for a big ticket item or renovation that might have been on your wish list.

Investment increases are always susceptible to “corrections” so taking profits is a strategy to secure those amounts if you want to rebalance your portfolio.

Inflation and interest rates are question marks that are highly speculated for our future economy. It is hard to predict what the supply chain issues, increased travel and consumer spending will do, not to mention the new variants. It is a wait and see game so best to stay diversified.

Office Protocol Changes

Changing pandemic measures require adapting on an ongoing basis to keep all of us safe and to continue to deliver the services you need and expect. We sincerely thank you for your understanding as we continue to adjust to new conditions with hopefully a return to being fully open at some point.

It definitely has not been business as usual with the office physically closed. Thank goodness for the technology of phone, Zoom, and the variety of mail options to look after your needs without missing a beat.

Now that the weather and edicts permit, we have on a few occasions met clients, who really need physical appointments, on the patio outside under the pergola with masks for the extra protection.

Once again we are sad to say that our annual barbecue has to be cancelled but we will be donating to three needy local charities as our way to give back to the community.

It has been especially difficult for charitable groups so we encourage any of you that have bigger bank accounts over the past year to donate to a charity of your choice.