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ESTATEPLANNING

If not now, when?

Plan for your future

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I was in beautiful Vancouver last month as a keynote speaker for a national Freedom Financial conference attended by 500 financial advisors from across the country. I shared my thoughts with fellow professionals on our obligations as financial-planning gatekeepers for many thousands of clients. We have a collective responsibility to help our clients with many important challenges dealing with tax, retirement, insurance, estate planning and charitable giving.

There are so many people with great hopes and dreams. But these same people don't have a concrete financial plan for their future. They are often too busy looking after everyone and everything else to plan for themselves. But they need to understand that the time to start their planning with a professional is right now, while they are young and healthy, and able to take advantage of certain insurance products. As a wise sage once asked: If not now, when?

I reminded my conference colleagues of the old Freedom 55 ads – you probably remember them too. Freedom 55. Often misinterpreted as a product, it was really an aspirational goal. The new Freedom 55, I told them, now occurs when your youngest child turns 55!

It may come as a shock to some, but for the first time in history, our children are not expected to be more successful than their parents. Young people, equipped with one or more university degrees, are burdened by debt and unable to find good jobs. Those lucky enough to find employment are usually unable to purchase their own home because of skyrocketing house prices.

The Sandwich Generation

There is a false expectation among those children that their baby-boomer parents will hand them a big windfall someday. Many of those parents are part of the sandwich generation. They are squeezed between supporting their children while also looking after their aging parents, who are breaking longevity records and slowly eroding their adult childrens' safety nets.

While people are living longer, many are living sicker, requiring personal help or costly nursing homes. While inflation rates have decreased, so have interest rates. People with substantial savings cannot obtain the financial returns they once expected.

And let's not forget the elephant in the room, the biggest financial threat of them all – taxes.

Your RRIFs and RRSPs have no tax consequences when they are left to a surviving spouse. But without proper planning you will be leaving more than half of those savings (54 per cent in Ontario) to the Canada Revenue Agency (CRA), as well as a liability for probate fees on the death of your spouse. Private equity in your company,

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marketable securities, GICs, bonds, and real estate investments (with the exception your principal residence) are all appetizing fodder for the CRA, subject to possible double taxation unless proper, post-mortem planning has been done.

I used to assume that busy people who run successful businesses have the finest lawyers, smartest accountants and best insurance and investment advisors. But it's not true. More than 25 years of experience has taught me that 85 per cent of those successful business owners are so busy looking after their suppliers, customers, contractors and staff that they haven't put aside the time to begin seeking advice for themselves, from their overworked lawyers, accountants and planning professionals. That's why professionals must be hyper-specialized while able to collaborate with other professionals

Get the Right Information

Our society has transitioned from an industrial age to an information age – or more accurately a "mis"information age. People now surf the net for information and answers to financial questions, but what they really need is the wisdom and knowledge to make the right decisions for themselves.

Over the years, I've met thousands of people with a financial plan that was assembled years ago and has since been languishing in a filing cabinet. I compare this to having old financial furniture that doesn't fit their current architecture. Some of that financial furniture may need to be replaced, upgraded or modified. Many people who are now in their 60's are still paying hefty premiums for disability policies that will expire at age 65. But they really could have used that money for long-term care insurance, which will carry them well into the future. Former smokers are still paying insurance premiums that should have been cut in half when they butted out.

Financially well-off people have huge tax liabilities that could have been eliminated by simply by using their Canada Pension Plan benefits to fund a significant life insurance policy (the subject of my October 2017 TaxLetter). It's a much better alternative to collecting CPP benefits they don't need, that only get taxed, reinvested and taxed again.

As life changes, so do many people's needs and wants. A professional team, often comprised of financial advisors, lawyers and accountants, can help you determine whether your earlier plans still work effectively or should be recycled, repositioned or replaced entirely.

Attention must be paid

Every Canadian must keep their eye on the ball when it comes to taxes because the ground rules can easily change in a heartbeat, at the whim of the government of the day. Finance Minister Bill Morneau shocked us all on July 18, 2017 by announcing proposed changes that would crater much of the tax and estate planning done in the past 50 years. Just recently, the Liberals backed away from some of those rule changes aimed straight at the hearts of Canada's incorporated individuals, including businesses and professionals.

Following the (rightful) uproar from outraged taxpayers, Minister Morneau said Ottawa will make some adjustments, although none are finalized at this time.

☛ Ottawa will introduce a threshold for passive investment income of $50,000 a year, so small business owners can hold on to money for retirement and other purposes. Anything above that will be subject to a higher tax.

☛ The government is scrapping proposed rules that would curtail the conversion of income to capital gains, a major concern for those dealing with intergenerational transfers and insurance policies held inside corporations.

☛ The government stood fast on income sprinkling to family members not active in the business, and said the new rules will be implemented effective January 1, 2018. Many expect this tax will be a compliance nightmare requiring past employment income data and a determination of exactly how much a split share would be worth under the new rules.

Mr. Morneau recently announced that the government would reduce the small-business tax rate to 9 per cent by 2019, down from its current level of 10.5 per cent, partially making good on a campaign promise.

The government needs tax dollars to keep our great country moving, and provide important services like health care and pensions for everyone. But it is our fiduciary responsibility as tax, estate-planning and insurance professionals to help you preserve and protect your money – and ensure that you pay no more taxes than the amount legally required. There are many solutions now available to counteract the tax whammy.

Pay attention also to…

While taxes and life insurance are two critical areas of planning, other issues require your attention, regardless of the amount of your assets.

A will: CIBC conducted a survey recently that revealed almost half of Canadians do not have a will, and that if they do, it is likely outdated. Many respondents thought they were too young or didn't have enough assets to justify putting one together.

But a will is something everyone should have, regardless of age or wealth. It is the cornerstone of your financial plan and it needs to be updated every so often, naming a trusted executor to ensure your latest wishes are met. Without a properly drafted will, it may well be left up the courts to decide how your assets will be divided.

Powers of attorney: Do you have two, one for personal health care and one for personal property? Do the people you have named know about these roles and responsibilities?

Updated beneficiaries: Ensure your RRSPs/RRIFs have updated beneficiaries. A spouse is the ideal beneficiary, because these funds rollover tax-free until the death of the second spouse.

Estate directory: Does your spouse, family, executor and powers of attorney know where everything is kept? At the end of this article, you'll see how to access our Estate Planning Toolkit, available free at our website. Complete it as soon as possible. Doing so will be a huge favour to your family, providing important information and documentation on a timely basis and in one place. Without it, settling your estate may be delayed and unnecessary costs will probably be incurred, ultimately leaving less for your family.

Don't go it alone

This kind of planning advice is typically not available online through general articles or from robo-advisors. Our clients rely on us for personalized service and advice that begins with a comprehensive examination of their situation, and the right strategies and solutions to best achieve their goals based on their priorities. Like going to a doctor, we act as a financial "Mayo Clinic" for our clients. Providing a prescription before a proper diagnosis is called malpractice. It all begins with a proper diagnosis prior to any recommendations.

I love sports, especially hockey. Coming from Toronto, my recurring dream is seeing my beloved Maple Leafs in the Stanley Cup finals - perhaps even winning the Cup. When it comes to sports, the team that wins the championship is not always the one with the best goal scorers. The key to victory starts with a good defence. Unfortunately, most people have concentrated on offense, and that's where we come in.

Don't do it alone. Develop a good defence. Put your affairs in order with professional help from experienced professionals to deal with tax, insurance issues and legal issues. Doing so now will ensure that as much as possible of your hard-earned money will go to the people and causes you care about. For, "if not now, when?"

Call us for a consultation. We'd love to help. ❑

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He guides successful business owners, who are already challenged for time, through the complex process of ensuring the people and organizations they care about are taken care of.
If you are like his other successful business owner clients, you are looking to reduce your tax obligations, preserve your wealth and leave a legacy. Incompletions rob us of energy. Mark collaborates with your professional advisory team to achieve your desired outcomes.
His approach is simple. He makes sure what is important to you gets done. He gets you organized, provides a big picture view of your financial affairs, determines your strategy and helps you to take action. He will simplify the complicated so you and your family can rest easy. He can be reached at 416-364-2929, toll-free at 1-866-566-2001 or
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