RBC WEALTH MANAGEMENT CANADA

VOLUME 3, ISSUE 1

PERSPECTIVES

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM **RBC WEALTH MANAGEMENT SERVICES**

Family Wealth Planning

- Why an up-to-date inventory of family financial affairs will prove invaluable
- A multitude of planning uses for family trusts
- When you may need to know the value of your business
- An interview with Eric Lascelles, chief economist for RBC Global Asset Management Inc.
- Feature: Postcard perfect – Post Hotel & Spa

From the Desk of the CEO

In my conversations with clients, I continue to find that family is a common priority. Interestingly, research findings of the *World Wealth Report 2015* support this view: the global survey of high net worth individuals, released in a partnership between RBC Wealth Management and Capgemini, found that well-being of family was the highest-ranked concern.

This issue of *Perspectives* covers a variety of family-oriented topics ranging from teaching children financial responsibility to using trusts to achieve wealth management objectives. In future *Perspectives* articles, we will cover other important client concerns, such as ensuring your wealth lasts throughout your lifetime and beyond, achieving your desired retirement lifestyle and managing the rising cost of health care.

Whether you are raising young children, helping older children transition into adulthood or acting as caregiver for your family members, proper wealth planning can help you protect your family's security and well-being – both today and in the future.

In addition, we also look at Canada's economic health and review developments that may impact Canadian investors. As business owners play a vital role in the Canadian economy, we review the specialized advice they require for personal and corporate planning, and how an accurate business valuation is key to keeping wealth management goals on track.

On a lighter note, summer is a great time for travel and leisure. This issue feature articles with suggestions for dining in Toronto, visiting the Post Hotel & Spa in the Alberta Rockies, and a review of Baselworld, the world-renowned marketplace and trendsetting show for the global watch and jewelry industry.

I hope you enjoy *Perspectives*, and encourage you to contact your RBC Wealth Management advisor to learn more about how topics in this publication can help you and your family reach your wealth planning objectives.

David Agnew
CEO, RBC Wealth Management Canada

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RBC Wealth Management

Contents

The Family Inventory

Build It. Maintain It. Tell Your Family About It.

This invaluable planning tool may not feature high on your list of priorities, but it should. A family inventory, prepared with attention to detail and carefully maintained over the years, can provide a record of your financial affairs to assist your family, friends and professional advisors at a time when you cannot do so yourself.

Don't assume your family is familiar with your assets and knows where they are located. Despite your well-intentioned efforts to inform relatives and friends of the whereabouts of your assets, an up to date written record may prevent the time-delays and expenditure involved in identifying and locating your assets and personal papers. Whether you're planning for incapacity or death, consider committing some time now to preparing a record of your financial and personal affairs. After that, it's just a question of maintaining it when something changes.

What It Is and What It Does

A family inventory is much more than a collection of account numbers. Its value is proportional to the extent and accuracy of the information it contains. Incomplete and out of date information will not expedite the challenges your family, attorneys/mandatarys or executors/liquidators face and may even hamper their efforts. To achieve maximum efficiency and usability, consider preparing a family inventory as the first step in developing your estate plan. Start by identifying your financial assets, whether you own them personally or in the name of your business and divide them into categories for ease of reference. These may include, for example, banking and investment accounts, real estate and insurance.

The next logical step may be to name your professional advisors and provide current contact information for them. Cross-reference any assets or legal documentation, for example, Wills, trusts or Powers of Attorney/Mandate, that these individuals or organizations hold or manage on your behalf. It may mean that your family members or personal representatives (executors and/or attorneys) can make one phone call or send one email instead of three, trying to track them down. It can also prevent them contacting an advisor with whom you no longer have a relationship.

Building Your Inventory – Bricks and Mortar

Personal Information

Start with personal information, names, addresses, dates of birth, SINs and relevant documentation which may include the details and locations of birth, marriage and citizenship certificates plus passports and other identifying documentation for yourself and your spouse, if appropriate. Your spouse may wish to complete a separate inventory but including information for both spouses on one inventory may help prevent duplication. Don't assume that your executors or attorneys have this information. Even if they do, providing it in a well-organized one-stop format may save them the time involved in searching for it.

Professional Advisors

Include details of your professional advisors in your inventory. This helps ensure that family members and your personal representatives contact the appropriate person and avoids confusion. This can be particularly important if you have assets in a variety of locations and jurisdictions. You will need to update contact information, addresses, phone numbers and email details periodically but this can be done when you review your estate plan and should form an integral part of the review process.

Asset and Credit Information

Much of your inventory may consist of information relating to your bank and investment accounts. These may be uppermost in your mind when you envision your personal representatives acting on your behalf in the event of incapacity, or on your death. However, consider all your assets and include them in this section in categories, if appropriate. For example, in cataloguing your assets both inside and outside Canada, you may wish to include all assets situated in a particular jurisdiction in a separate section, together with the respective advisor contact information.

Your inventory is only as useful as the details you include in it. Provide information about your assets, both real estate (including any vacation properties) and personal items (furniture, jewelry, art), particularly if you deal with them separately in your estate plan. Include information about your business assets, or, if you are dealing with business assets separately, details of where or from whom such information can be obtained. Another category may comprise your Registered Retirement Savings Plans and Registered Retirement Income Funds (RRSPs/RRIFs), locked-in plans and your pensions and insurance products together with relevant information about plan administrators and policy numbers. You may wish to list your credit cards, lines of credit, mortgages and personal loans in a distinct category, cross-referencing mortgages and secured lines of credit, for example, with the properties to which they relate.

Location, Location, Location

The location of your personal documents is one of the most useful pieces of information you can provide in your inventory. It can be a valuable starting point for your heirs and executors, so ensure these details remain up to date. Documentation in this category may include your Wills, Powers of Attorney, deeds of trust, and deeds or registration information for your real estate properties. You may also wish to include pre-paid funeral plans and safety deposit box information. If you store these documents at financial institutions or at the offices of one or more professional advisors, ensure you provide appropriate authorization for your representatives to access them. Check the policy of your financial institution, for example, regarding accessing a safety deposit box so your representative can go 'armed' with the required authority.

More Preparation Now – Less Work Later

Take the time to include the correct names, addresses and contact details for your spouse, executor, beneficiaries and the guardians or tutors of minor children. This can further enhance the value of your inventory. For beneficiaries named on your registered plans, pensions, insurance policies and even charitable beneficiaries, while financial institutions and plan administrators may know who they are, one source of current identifying information can prove useful and ease the administrative duties of your personal representative(s). Remember to change the details in your inventory if your beneficiary appointments change.

If you have personal obligations like spousal or child support payments, include these details too so these matters are appropriately addressed by whoever is acting on your behalf.

Prepare It, Protect It and Maintain It

Your preference in preparing and maintaining your family inventory is personal to you. If a paper-based inventory works best, it may make sense to store it with your Will and Power of Attorney. Remember to review your inventory when you review your estate plan. A review is often triggered by a change of circumstances or a significant life event, like a marriage or a birth, for example. If you wish to maintain an inventory in digital form, which may be simpler to update, keep it accessible to those who will need to see it. There should be a paper copy in your safety deposit box or with your Will.

Consider password-protecting the soft copy and make it available to relevant family members. This may take a little more coordination if you have a blended family and assets or family members in multiple jurisdictions.

An up to date family inventory can be an invaluable tool to your heirs, executors, trustees and professional advisors. Compile it when you complete your estate plan and review it periodically. It may also give you some much-needed perspective in relation to your overall financial situation and enable you to see aspects of your estate plan that you may have neglected or which require further consideration. It can help facilitate the smooth-running of your estate administration and even assist your attorneys or those acting on your behalf during a period of incapacity.

Protect Your Digital Legacy

By cataloguing your email accounts and passwords, social media profiles, domain names and e-commerce accounts, you can provide what your personal representatives need to access your digital information. They will require instructions as to your intentions with regard to this part of your estate and the tools to enable them to manage or discontinue use of these digital assets. Keep your spouse or other family members informed.

Family Trusts in Canada

Origins of Trusts

Personal trust law originated in England, during the 12th and 13th centuries. Landowners leaving England for extended periods of time, to fight in the Crusades, would convey legal title to their property to a third party to manage the property and enforce the rights of the owner in their absence. The arrangement was made on the understanding that legal title to the property would be conveyed back to the landowner when they returned.

Those returning crusaders who were unsuccessful in attempting to retrieve their property were unable to enforce their claims under the English common law. They would then apply to the Lord Chancellor's court, which became known as the Court of Chancery. The court decided the case according to the principles of equity (the conscience of the individuals involved) and frequently recognized the claims of returning crusaders. This became known as an 'equitable remedy' and brought about the recognition of a distinction between the 'legal' and 'equitable' ownership of an asset. Eventually it enabled one person, the 'trustee', to own an asset legally and manage it in the best interests of another person or persons, the 'beneficial owner(s)' without receiving a benefit from that asset.

Why They're Important Today

Today, trusts are a widely used planning vehicle, particularly in legal systems based on the English common law. They are highly versatile and may help you achieve your estate planning, tax minimization and asset protection objectives. You may have come across the concept of a trust in the context of preparing your Will. This kind of trust, known as a 'testamentary' trust, takes effect on your death and is often used to provide assets to beneficiaries of an estate where you do not intend them to receive the assets immediately. You might consider this if you have minor beneficiaries and you want them to receive assets, or income from those assets, on attaining a certain age or upon the happening of certain events. You may not, however, be as familiar with the concept of an 'inter vivos' trust, also known as a 'living' or 'family' trust. This is a trust you establish during your lifetime.

A Who's Who of Trusts

To understand how a trust works, you need to understand who does what. In brief, a trust is a separate taxpayer but it is not a separate legal entity, like a corporation. A trust is a common law relationship. There are a number of parties to that relationship. The 'settlor' creates the terms of the trust, according to their wishes and contributes the asset which brings the trust into being. This is frequently a nominal sum, a $20 bill, for example. The 'contributor' to the trust is the person who transfers property to the trust for the benefit of the beneficiaries. The contributor is often also the settlor but could be a third party. The 'trustee' holds legal title to the property transferred to the trust and must act in the best interests of the beneficiaries. The trustee's responsibilities are governed by the terms of the trust agreement and the trust law in their jurisdiction. The 'beneficiary' is entitled to benefit from the trust assets and can be entitled to receive income from the trust, capital or both.

Some Fundamental Benefits

A family trust can be a valuable addition to your financial planning toolbox, as long as you understand how it works. If you're considering setting up a trust as part of your estate or financial plan, obtain professional advice from a qualified tax and/or legal advisor before you put the wheels in motion.

Privacy and Avoiding Probate

If you place assets into a family trust during your lifetime, those assets will not form part of your estate. They will not be distributed in accordance with the terms of your Will on your death and consequently, they will not be included in calculating probate fees. While many people perceive avoidance of probate fees as a significant benefit and planning objective, there are other potential benefits. For example, a Will becomes a document of public record when it is probated and at this point is accessible to the public. Assets placed in a trust fall 'outside your estate' and remain private. A family trust may make it possible for your assets to pass discreetly to their intended beneficiaries. Only the settlor, the trustee and the beneficiaries need know that the trust exists and its purpose. You may find this valuable, for example, if you wish to pass certain assets to one branch of your family, via a trust and have another branch of the family benefit from your Will. Sometimes this is the case if there have been multiple marriages.

Planning Flexibility

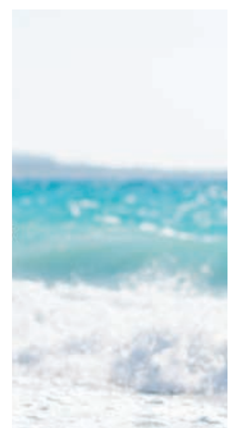
A family trust can give you the flexibility to make planning decisions during your lifetime, choose the assets which are to fund the trust and know that the trust assets will continue to be managed according to the terms of the trust, even after your death. You may choose, for example, to have one family member receive income and access to capital during their lifetime and on their death, the remaining assets pass to other named beneficiaries or a class of beneficiaries, which may encompass several generations of your family. In the event that your circumstances change in the future, if you experience multiple marriages, more children or

A family trust can give you the flexibility to make planning decisions during your lifetime, choose the assets which are to fund the trust and know that the trust assets will continue to be managed according to the terms of the trust, even after your death.

grandchildren or even a period of incapacity, the planning you have done can remain in place. In this way a family trust sometimes functions as both a Will and a Power of Attorney. You choose the individuals or institutions that are to act on your behalf as trustee and transfer the assets to them. They have a duty to carry out the terms of the trust in the best interests of the beneficiaries. The beauty of choosing a corporate trustee can be in its potential anonymity, its expertise, its professionalism and perhaps, above all, its continuity. It will continue to be there, delivering professional management services throughout the lifetime of the trust. You don't need to worry about what will happen if your trustee retires, loses competency or dies.

Obtain Professional Advice

This kind of planning is complex and can have significant tax consequences. Always obtain professional advice before you proceed. A family trust can be 'revocable' or 'irrevocable' but if you set up a revocable family trust you are unlikely to achieve the tax benefits that may be available with an irrevocable family trust. If you go the route of an irrevocable family trust, with a view to achieving some of your tax minimization, financial planning and possibly creditor protection objectives, it is important to appreciate that you will not be able to retrieve the assets placed into the trust once it is set up. There can also be restrictions on the trustee's investment options in relation to the trust property.



Consider the legal expenses involved in setting up the trust, particularly if it is customized to your specifications by your legal professional. Add to that the annual investment management fees and trustee fees for administering the trust on an ongoing basis plus professional fees for complying with tax filing obligations as the trust is a separate tax payer and files a tax return every year. Your legal and tax professionals may be able to assist you in performing a cost-benefit analysis to determine the costs of putting this kind of planning together and, as a result, the value of the assets you should consider placing in the trust to justify the expenditure.

Family Trusts in Canada: A Multitude of Planning Uses

Discretionary vs Non-Discretionary

Family trusts can be useful if you are concerned that your beneficiaries don't have the experience or aptitude to manage finances or if you are unsure about the wisdom of making significant payments of income or capital to them. You can provide for your beneficiaries, whether minors or adults, in this way by specifying in the trust agreement how and when payments are to be made. Your trustee makes those payments, exercising their discretion to the extent you have provided in the trust agreement. A non-discretionary trust may require the trustee to follow your directions in the trust agreement with little or no latitude. A discretionary trust, on the other hand, may provide that the beneficiaries' entitlements are not fixed, but determined by the criteria you set out. You could give the trustee discretion to decide which beneficiaries, from within a class, receive payments, or to decide the amount and type of payment they receive, or both. It's up to you.

Minors, Disabled and Elderly Beneficiaries

If you wish to benefit minors, you generally provide for them to receive payments at set ages or to have expenses paid on their behalf, school fees, for example. You can also use this kind of trust to provide for beneficiaries who have disabilities or for elderly family members. If your planning involves multiple marriages and blended families, a family trust, as part of your financial or estate plan, may help you provide for family members from previous relationships and provide income and access to capital, if that is what you intend.

Henson Trust

If you wish to provide financially for someone who has a physical or mental disability, this kind of trust can be set up either during your lifetime or on your death. It may enable you to provide benefits without jeopardizing the beneficiary's entitlement to income or asset tested provincial or territorial disability-related income support and other benefits. A Henson Trust, named after the 1987 Ontario court case from which the concept arose, provides the trustee(s) with absolute discretion to distribute income and capital from the trust to the beneficiary as they see fit. They have full control as to when, if and how much income or capital is paid to the beneficiary. The beneficiary has no 'vested' interest in the income or capital and cannot demand payments from the trust. This means that they are not considered to own the trust assets and consequently the funds held in trust may not affect their income or asset thresholds for the purpose of qualifying for income support. Note that this strategy may not be effective in every province and territory. For example, Henson Trusts are not recognized in Alberta, the Northwest Territories and Nunavut. If you think this kind of trust might help you realize one of your planning objectives, consult your legal professional to determine whether a Henson Trust is recognized in the province or territory where the beneficiary lives.

Charitable Intentions

You may include a charity as a beneficiary of the trust. If you have charitable intentions, a family trust can offer some unique opportunities. A Charitable Remainder Trust is a trust you set up during your lifetime, naming yourself as income beneficiary and the charity of your choice as capital beneficiary. As long as the trustee isn't entitled to encroach on capital to benefit the income beneficiary, you can get a tax receipt for the capital you contributed when you set up the trust. This can be a tax-effective way to set aside funds to fulfil your charitable giving intentions while receiving income from your capital during your lifetime. It may be particularly advantageous if you are in a high tax-bracket.

Splitting Income With Your Family

You may be able to income split between higher income and lower income family members using a properly structured family trust. This can help minimize your family's overall tax burden. You can do this by setting up a trust, funding it either by a gift or a loan at an interest rate equal to or greater than Canada Revenue Agency's (CRA's) prescribed rate and using the trust funds to pay expenses that directly benefit the beneficiaries, usually your children, grandchildren, nieces, or nephews. Examples of expenses could include private school fees, post-secondary education costs or other expenses like the costs of tutoring or attending camp.

A family trust enables you to minimize your family's overall taxes because, when properly structured using a prescribed rate loan, the investment income (interest, dividends and/or capital gains) earned within the trust may be taxable to the beneficiaries. Every child or grandchild, regardless of age, who has no other income can earn up to a certain amount of investment income tax free every year.

Another benefit of loaning funds to the trust at the CRA's prescribed rate is that you can retrieve the loaned funds if you wish, subject to the terms of the loan agreement.

Business Succession Planning

If you're a business owner and expect your business to significantly increase in value over the coming years, you may want to consider implementing an estate freeze to defer tax on the gain you anticipate realizing on the value of your shares. A family trust can be a component part of this kind of planning in certain circumstances.

Here's the strategy in summary. You exchange your common shares (which are likely to increase in value over time) for fixed value preferred shares with voting rights. Your new preferred shares won't increase in value but you retain control of your company due to the voting rights they carry. You then issue new common shares, at nominal value, to your children or other family members, either directly or indirectly via a discretionary family trust. As your company increases in value, this capital appreciation will be reflected in the value of the new common shares. By having the trust hold the common shares, you can name both adult and minor beneficiaries and, the trustee may have discretion to control the distribution of dividends between those beneficiaries. In the event that the common shares are eventually sold, it may be possible to multiply the $813,600 (2015 amount, indexed annually) capital gains exemption between the beneficiaries, assuming the shares qualify.

Remember that this kind of complex planning should be considered in the context of a comprehensive business succession plan. Your tax, legal and succession planning professionals can guide you through the details to determine whether this strategy will help you achieve your planning objectives.

How They're Taxed – In Brief

Could a family trust work for you? You can't effectively evaluate the benefits of setting up a family trust without considering the impact of taxation on your planning objectives. As mentioned, a trust is a separate taxpayer and files an annual tax return. This can involve fees, for the professional advisors preparing the tax returns. Always factor in these expenses when assessing the net benefit of using a family trust.

When You Transfer Assets to the Trust

If you transfer non-cash assets into the trust, for tax purposes you are transferring the assets at their market value. Consequently, you may realize capital gains and losses which you will need to include on your personal tax return. This won't happen with certain kinds of family trusts, known as alter ego and joint partner trusts, where assets can be transferred in-kind into the trust at their cost. Consider the likely tax bill when you're deciding which assets to place in the trust, if not cash. Will this have an impact on your planning objectives?

When the Trust Earns Income and Capital Gains and Retains It

Any income or capital gains earned by the trust, that is not paid or made payable to the beneficiaries, will be taxed in the trust's annual tax return at the highest individual marginal tax rate for the province or territory where the trust resides. The trust is not entitled to claim personal tax credits.

When the Trust Earns Income and Capital Gains and Pays It to the Beneficiaries

As discussed in the context of family income splitting, if the trust is properly structured and if the trust income and capital gains are physically paid to a beneficiary or used to meet expenses that directly benefit them, that income and capital gains can be taxed in the beneficiary's personal tax return. This also applies to income and capital gains that are 'made payable' to the beneficiary. These amounts are legally owed to the beneficiary and supported by a promissory note to substantiate the beneficiary's right to enforce payment, but retained in the trust.

Remember that whether these amounts are paid out or made payable, if the beneficiary is a minor, the settlor will pay tax on their tax return on interest income and dividends. The beneficiary will pay tax on the capital gains. You can avoid these rules, known as the 'attribution rules' if you loan funds to the trust at an interest rate equal to or higher than the CRA's prescribed interest rate. Taking these rules one step further, if the settlor retains control of the trust assets, by acting as sole trustee, for example, all income and capital gains could be taxed in the settlor's hands, potentially cancelling out the income splitting benefits of the trust.

Consider All the Implications – Before You Proceed

If you think your planning decisions may incorporate a family trust, talk it over with your qualified legal advisor. This summary of some of the planning points underscores the complexity of trust planning and the need for specialist advice and analysis before you move ahead. Consider your objectives, the opportunities and the potential restrictions of using a trust and the net benefit, once fees and ongoing expenses have been taken into account. It's not always a question of the numbers. Often it's about retaining control of and protecting the trust assets.

Canada Health Check:
an Interview with Eric Lascelles

With Canada trying to recuperate from the oil shock, we had an illuminating conversation with Eric Lascelles, chief economist for RBC Global Asset Management Inc., on this and other dynamics that warrant investor attention. From the economic handoff from West to East to a potential housing bubble and more, Eric highlighted what this all means to Canada's economy.

Q Let's start with the drop in oil prices and how you see this impacting the Canadian economy.

A Lower oil prices are bad—but not awful—for the Canadian economy. Without question, oil producers and their employees are hurt badly, with trickle-down effects that corrode fiscal coffers. Fortunately, there are several mitigating factors. For instance, oil production continues largely unabated in Canada—it is just the investment side of the business that is in freefall. Meanwhile, a weaker loonie, the Bank of Canada's rate cut, and a reasonably healthy U.S. economy (once first-quarter wiggles are out of the system) provide a powerful offset that substantially dampens the blow. Our modelling argues that around half a percentage point has been lopped from the Canadian economy's annual growth rate, which nevertheless leaves it firmly in growth mode, if diminished.

Quality-adjusted hiring has been surprisingly fine since the oil shock, and housing activity is holding up fairly well. However, greater weakness is evident at the provincial level, where our proxies show that Alberta, Saskatchewan, and Newfoundland are all experiencing much slower-than-usual economic growth.

Finally, there is some additional bad news and good news. The bad news is that the Canadian economy feels much worse to the average person than the official numbers indicate. Low oil prices and higher import prices don't feed directly into real GDP, but they nevertheless undermine the effective incomes of Canadians.

The good news is that oil prices have already substantially recovered. As this trend continues, some of the recent suffering will abate. Furthermore, the Bank of Canada believes that the economic hit from this oil shock is especially front-loaded, meaning the economy should enjoy some additional momentum over the coming quarters, even if oil prices don't cooperate.

Overall, the Canadian economy is no longer the high flyer of the developed world, but talk of an imminent recession appears overblown and the country was lucky that it ate through most of its economic slack before being hit by this shock.

Q Along the same lines, we have read much about the handoff from the West to the East as manufacturing takes over for energy in helping to support the economy. However, at the same time we have examples such as Toyota leaving Canada for Mexico and some discussions that other auto manufacturers may follow suit. How do you see this handoff playing out?

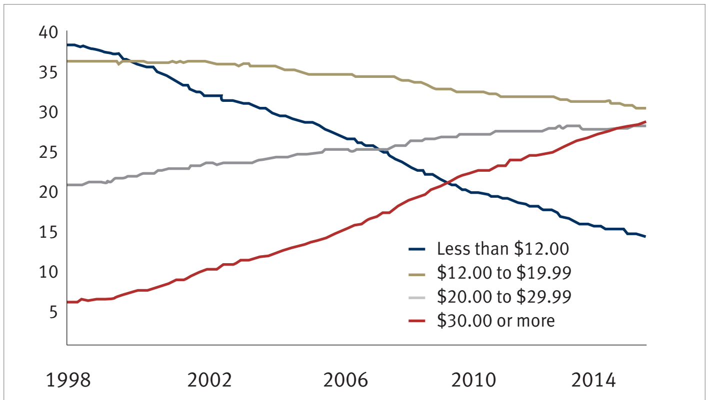
A The handoff from West to East is probably overstated. There is admittedly something to it in the short run, as our provincial proxies find that Alberta and Saskatchewan are barely expanding while Ontario manages nation-leading growth. The obvious catalysts are low oil prices that hurt the West (and help the East), while the softer currency helps everyone (export-oriented Eastern manufacturers most).

Beyond the next year or two, the West will probably take the lead again, if less commandingly. The resource sector is not totally cooked, and the region has a young population and new infrastructure. British Columbia has mild weather and attracts significant Asian immigration and wealth. Meanwhile, the manufacturing provinces are helped by a weaker currency, but many of the lost jobs aren't coming back from China or Mexico.

Higher-paying jobs trending up

Employment Distribution by Hourly Wage

Share of all employees, 12-month moving average



Source – RBC Economics Research; dollar figures in CAD

Q Let's move to housing and the much-discussed issue of a Canadian housing bubble. Are you worried about this, or has the issue been blown out of proportion?

A Canadian housing has a few near-term pressure points that relate to the latest price surge in some of the larger markets, and to Alberta vulnerabilities given the oil shock. These seem manageable for now. Meanwhile, the rate of national construction is actually well aligned with demographic demand, and affordability is surprisingly normal thanks to ultra-low mortgage rates.

Leaks start to form over the medium term. Rising mortgage rates—should interest rate normalization ever actually happen—will take housing affordability offside, with home prices potentially 15% too high. This doesn't have to be resolved via lower prices (rising incomes would also do the trick), but it might be. The condo market is less problematic than many people think, but should still be softer than the detached market throughout.

We tend to regard the housing market as a coming economic drag, but not a coming crisis. Reflecting this view, we maintain moderately below-consensus Canadian economic forecasts in the anticipation of eventual housing weakness. In contrast, the systemic (crisis) risks seem pretty limited, in sharp contrast to the U.S. experience.

Q What about household debt levels, which continue to boldly go where no household debt levels in Canada have gone before. Is this an area of concern and, if so, to what degree?

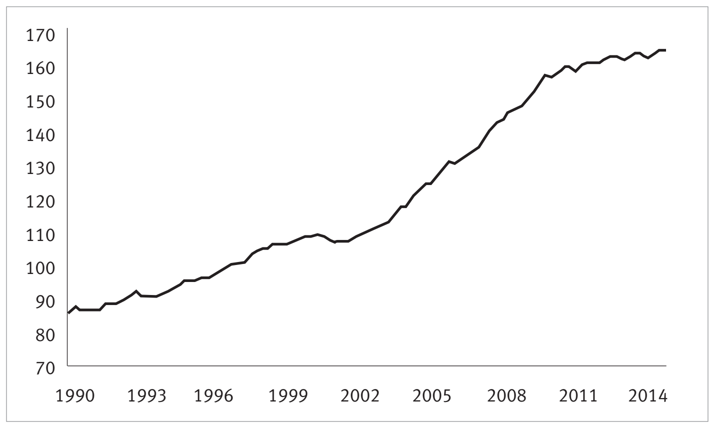
A Household debt levels have risen in Canada, and are now higher than the U.S. and U.K. However, they are not nearly as high as several Scandinavian countries, and the fraction of household income needed to service this debt is at a record low level. Moreover, the vast majority of the debt is backed by an asset—real estate.

There are certainly still ways that this can go wrong—if home prices fall, then the cozy balance between assets and liabilities suddenly looks less viable. If interest rates rise significantly, then the cost of servicing all of this debt goes up. This issue is essentially one and the same with the housing market, and similarly translates into less economic growth in the future. The problem has been to get the timing right, as many have been incorrectly (or at least prematurely) prophesying doom for six years now.

Household debt levels continue to rise; but low interest rates act as an offset.

Household Debt-to-Income Ratio: Canada

Credit market debt as a % of personal disposable income



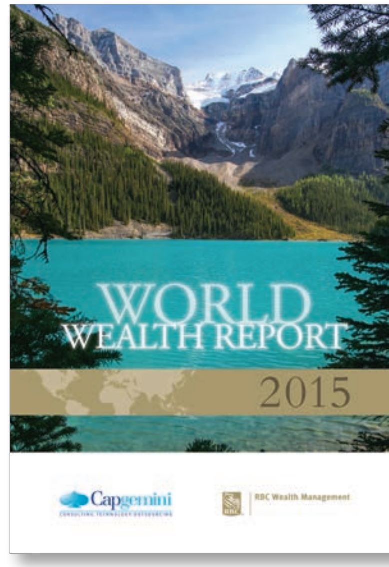
Source – Statistics Canada, RBC Economics Research

Q Lastly, we have seen the Canadian dollar decline sharply over the past several years, but more recently, we have seen it start to stage a bit of a recovery. What are your views on the Canadian dollar from here?

A The loonie has weakened significantly over the past two years, and then reclaimed some of that ground more recently. The fundamental tug-of-war is between oil prices, which are likely to rise somewhat further, and the U.S. dollar—which is on its own secular strengthening trend. In the end, the greenback should dominate, meaning that the Canadian dollar loses a few more cents, even if oil continues to recover. This is not an argument about valuation: the loonie has gone from significant overvaluation on a purchasing-power parity basis to modest undervaluation. It has far more to do with the U.S. dollar and the fact that the greenback traditionally goes through five- to ten-year cycles. The strengthening cycle doesn't appear to be done yet.

Understanding Global Wealth Trends

Top findings from the World Wealth Report 2015



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RBC Wealth Management

The World Wealth Report 2015 (WWR), produced by Capgemini and RBC Wealth Management, is the industry benchmark for examining the key drivers of wealth creation and the trends impacting high net worth individuals (HNWIs[1]) worldwide. The report drew insights from more than 5,100 survey respondents in 23 countries across six regions.

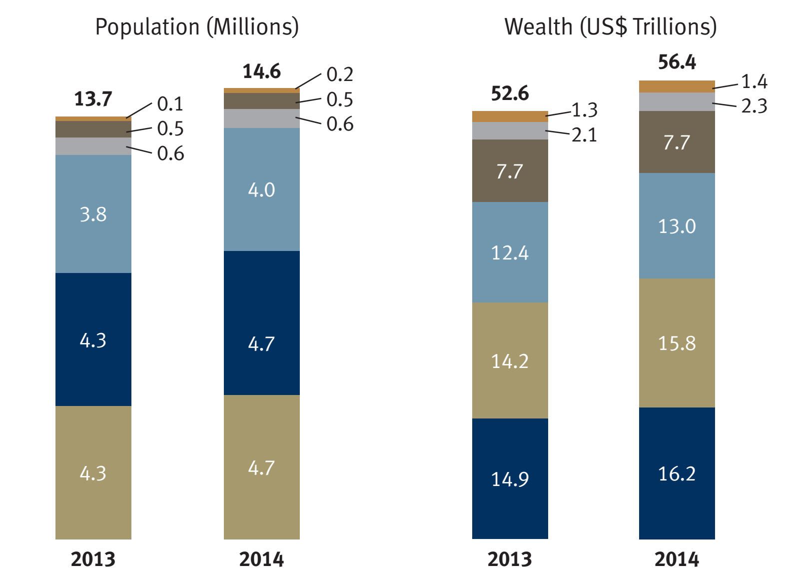
Global HNWI Population and Wealth Expanded, Though at a Slower Pace

Global HNWI population and wealth expanded at moderate rates of 6.7% and 7.2% respectively in 2014, the second-slowest rates of the last five years (Figure 1). Looking forward, global HNWI wealth is forecast to cross US $70 trillion by 2017, growing at an annualized rate of 7.7% from the end of 2014 through 2017.

- Almost one million people joined the HNWI ranks in 2014, the sixth consecutive year of growth, bringing the population to 14.6 million, while HNWI wealth reached US $56.4 trillion.
- Asia-Pacific and North America drove the majority of growth, and Asia-Pacific overtook North America to become the region with the largest HNWI population, at 4.69 million.
- The U.S, Japan, Germany, and China accounted for 67% of HNWI population growth in 2014.

[1] HNWIs are defined as those having investable assets of US$1 million or more, excluding primary residence, collectibles, consumables and consumer durables.

Figure 1: Growth of Global HNWI Population and Wealth 2013-2014



Population	% Change 2013 - 2014	Wealth
5.2%	Africa	7.0%
(2.1%)	Latin America	(0.5%)
7.7%	Middle East	8.2%
4.0%	Europe	4.6%
8.3%	North America	9.1%
8.5%	Asia-Pacific	11.4%
6.7%	**Global Change**	**7.2%**

Note: Chart numbers and quoted percentages may not add up due to rounding.
Source: World Wealth Report 2015

> Availability of credit is a big selling point for some HNWIs, although demand varies by region and demographic.

Equities Lead HNWI Allocations

- Equity allocations moved slightly ahead of cash as the dominant asset in HNWI portfolios, with HNWIs in Japan and Latin America expanding their equity holdings the most (Figure 3).
- HNWIs continue to keep large amounts of cash on hand, primarily as a way to fund their lifestyles and ensure financial security. Allocations to international investments remained high, holding steady at 35.8%. This compares to 36.6% a year earlier, with Asia-Pacific and Latin America HNWIs investing the most internationally.

Credit Emerges as a Key Demand and Opportunity

Credit is also important to HNWIs, with nearly one-fifth of HNWIs using it, and HNWIs who are younger, wealthier or in emerging markets expressing the greatest interest.

- Credit figures prominently in HNWI portfolios, and its availability is a big selling point for some HNWIs, although demand varies by region and demographic (Figure 4).

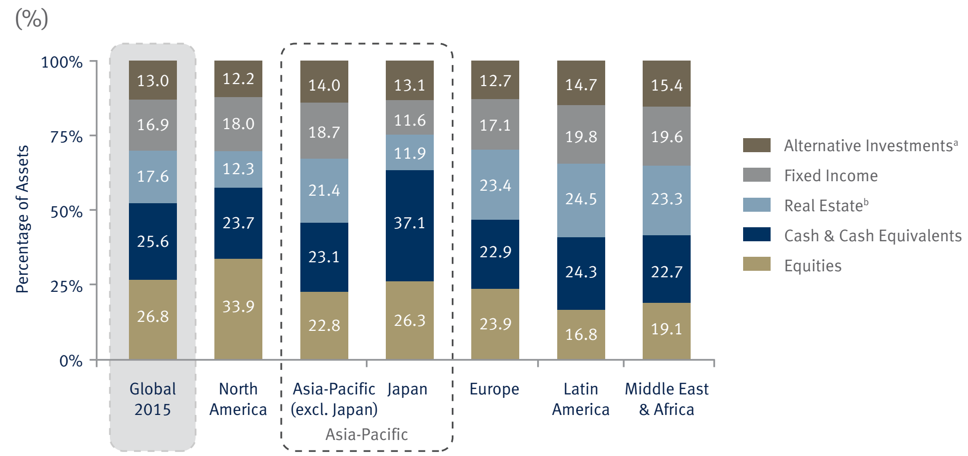
Figure 2: Composition of Global HNWI Population by Wealth Bands, 2014

The following chart shows how HNWI population and wealth have changed, by wealth bands. Millionaires Next Door, who are defined as having US $1 million to US $5 million in investible assets, make up 90% of the global HNWI population and account for nearly 43% of HNWI wealth.

	% of Total HNWIs	HNWI Population Growth '13-'14	HNWI Wealth Growth '13-'14	% of HNWI Wealth 2014
+US$30m Ultra-HNWI	1.0% of total	8.6%	7.4%	34.7%
US$5m-US$30m Mid-Tier Millionaire	9.0% of total	7.7%	7.8%	22.4%
US$1m-US$5m Millionaire Next Door	90.0% of total	6.6%	6.7%	42.9%

Source: World Wealth Report 2015

Figure 3: Breakdown of HNWI Financial Assets



a. Includes structured products, hedge funds, derivatives, foreign currency, commodities, private equity
b. Excludes primary residence
Source: World Wealth Report 2015. Chart numbers may not add up to 100% due to rounding.

HNWIs Count on Wealth Managers to Help Fulfill a Wide Range of Wealth Needs

The 2015 Global High Net Worth Insights Survey identified the top four concerns for HNWIs around the world (Figure 5), and a large number of wealth needs that related to their satisfaction with their wealth manager.

While some of these needs are more essential than others, HNWIs rank the importance of nearly all of them within a narrow band of 61% to 73% (Figure 6). Most critically, HNWIs expect their wealth managers to have a clear understanding of risk tolerance (73%), to provide fee transparency (73%), deliver strong investment performance (72%), and understand HNWI concerns (72%).

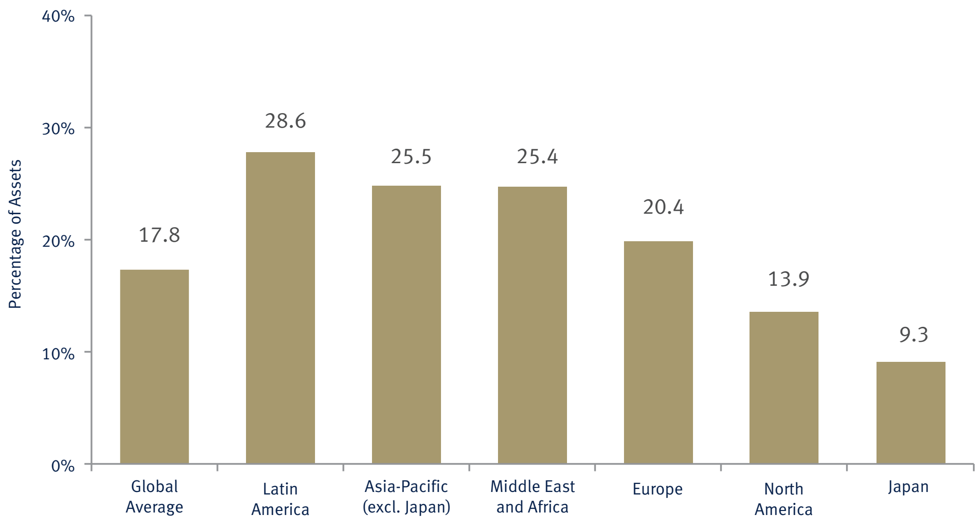
Faced with a wide range of increasingly complex client needs, wealth managers are striving to deliver a more holistic and integrated approach to wealth management advice and solutions.

Social Impact: A Great Opportunity for Wealth Managers

Driving social impact refers to making a positive impact on society with thoughtful investments of time, money or expertise. HNWIs, particularly younger individuals, are increasingly interested in directing their investment dollars according to their perso nal or family values.

Faced with a wide range of increasingly complex client needs, wealth managers are striving to deliver a more holistic and integrated approach to wealth management advice and solutions.

Figure 4: HNWI Credit Levels (by Region)



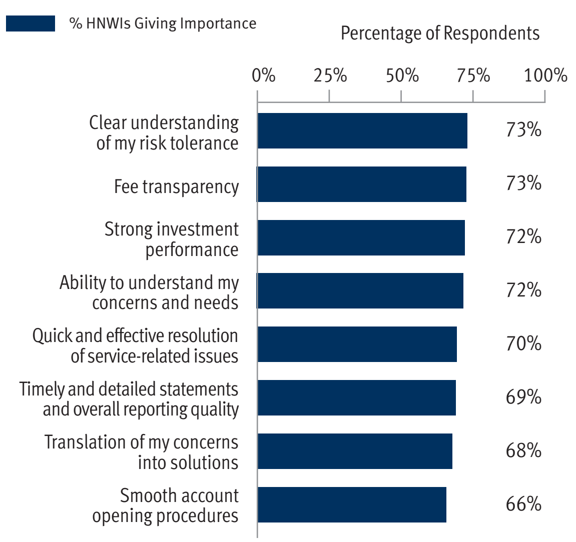
Source: World Wealth Report 2015

Figure 5: Top 4 HNWI Concerns

- Their health/ family's health
- Their assets lasting through their lifetime
- Being able to afford the lifestyle they want in retirement
- Rising costs of healthcare

Source: World Wealth Report 2015

Figure 6: Top 8 Most Important HNWI Wealth Needs



Source: World Wealth Report 2015

- Despite their interest in driving social impact, HNWIs do not have a single preferred source to help them navigate the complexities, with near-equal support currently received from wealth managers and families/friends.
- Wealth managers, who are the most sought-after professionals for driving social impact, are best-positioned to capitalize on the fragmented advice landscape, and to fulfill HNWI demand for greater guidance across all areas of social impact.
- To overcome challenges related to social impact, and to keep up with HNWI demand for guidance, wealth management firms need to develop more sophisticated in-house capabilities, starting with embedding social impact discussions into the overall wealth management approach.

There's Wealth in Our Approach

For more information or a copy of the report, please contact your RBC representative or visit www.rbcwealthmanagement.com.

The World Wealth Report 2015 in Numbers

- **5,153** = Number of survey respondents (across 23 major wealth markets in six regions)
- **US $1 million** = Minimum level of investable assets to be classified as HNWI
- **6.7%** = Percentage growth of the global HNWI population in 2014
- **7.2%** = Percentage growth of HNWI wealth in 2014
- **13.2 million** = Total number of "millionaires next door"
- **35.8%** = Average percentage of assets invested outside of home markets
- **7.7%** = Projected annual growth in HNWI wealth through 2017
- **US $70 trillion** = Projected global HNWI wealth in 2017

The value of investments may fall as well as rise. You may not get back the full amount that you originally invested.

About the Global High Net Worth Insights Survey

The Capgemini and RBC Wealth Management Global High Net Worth Insights Survey is the industry's largest and most in-depth examination of high net worth individuals. The survey was conducted in January and February 2015.

To Value or Not to Value?

When You May Need to Know the Value of Your Business

Your business may be the most valuable asset you own even though you may not know what its value is! Knowing the value of your business will help you make key decisions with regards to the sale or succession of your business. It will also help you identify relevant tax and estate planning strategies from which you can benefit.

While you spend most of your time growing and developing your business, you may be unaware of the value of your business. When it comes to the concept of business value, many owners want to know how value is determined. However, owners should also be aware of instances when they will actually need to determine what the value of their business is. This article will outline some situations where you will typically need to know what your business is worth.

Selling and Exiting Your Business

As part of any business succession process, valuation is a key step. In a 2012 study, the Canadian Federation of Independent Businesses (CFIB) found that over 50% of business owners do not have a business succession plan. One of the barriers identified in completing a business succession plan was valuing the business. Whether you are selling to a third party, employees, or a family member, you will not be able to exit your business without knowing what your business is worth.

You may be at a stage where you are ready to sell your business. In fact, you may have already received formal or informal offers for your business. In order to assess whether these offers are fair, you will need to know the value of your business. Valuing your business may identify certain aspects of your business that add value. This may assist you in negotiating a higher selling price. A valuation may also identify other transactions in your industry allowing you to gauge whether the offer you received is reasonable. When selling to a family member or employee, obtaining an independent third-party valuation may also help them understand the business' value and may narrow the gap between what they think the business is worth and what it's actually worth.

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Retirement and Financial Planning

Your business may represent the most significant part of your personal net worth and like many other business owners, you may be relying on the proceeds from a future sale of your business to fund your retirement and other financial goals. Knowing the value of your business will help you answer the following questions surrounding these goals:

- Is the value of my business sufficient to allow me to comfortably retire at my desired age?
- Together with the value of my other assets, is the value of my business high enough that I have sufficient assets to meet my expected costs in retirement, including healthcare costs, travel costs, and desired charitable donations?
- What segments of my business are more valuable? This question may help you identify ways you can increase the value of your business over time.
- Are there excess assets in the business that could be withdrawn without affecting my business operations? If so, you may be able to withdraw these assets to fund your retirement and other financial goals without having an impact on the financial results of the business.

As you develop a financial plan for your retirement with your advisors, it is important to know the value of your business so that you can determine the answers to these questions.

Tax Planning

Knowing the value of your business may allow you to take advantage of certain tax strategies. For example, many business owners utilize a strategy known as an estate freeze. An estate freeze is a term commonly given to a transaction where you lock in or "freeze" the value of your business and transfer the future growth of the value of your business to other taxpayers, typically family members. An estate freeze is implemented by exchanging the growth common shares of the company for fixed-value preferred shares equal to the fair market value of the company on the date of the transaction on a tax-deferred basis. New common shares are then issued to other family members at a nominal value. The end result of this transaction is that the original shareholder(s) locks in the value of their shareholdings and the tax liability that will be triggered upon the disposition of their shares. As well, any future growth in the company's value is attributed to the new common shares.

To implement an estate freeze, you must first determine the fair market value of the common shares being exchanged. Fair market value is defined as:

> *"the highest price, expressed in terms of money or money's worth, obtainable in an open and unrestricted market between knowledgeable, informed and prudent parties acting at arm's length, neither party being under any compulsion to act"*

A proper valuation of the common shares being "frozen" is critical to a successful estate freeze. If the valuation is too low in relation to the fair market value of the common shares, a full tax-deferred rollover will not be achieved and some capital gains tax will likely be triggered on the exchange of the common shares for the fixed-value preferred shares. Alternatively, if the valuation is too high, you may be deemed to have received taxable income. As such, when completing an estate freeze, business owners should get a qualified business valuator to prepare a business valuation report opining on the fair market value of the company's shares.

Estate Planning and Settlement

As part of your estate plan, you may choose to leave the shares of your business only to your children who are interested in continuing the business, while leaving other assets (e.g. insurance proceeds) to your children not interested in running the business. If your intention is to leave an equal amount of assets to all your children when you pass away, you need to know the value of your business in order to achieve this. However, if your business is your largest asset, then you may find an equal distribution to all of your children will be impossible. Instead, your goal may be to leave a fair distribution to the children not involved in the business and transfer your business to the child or children who have been actively involved in the business.

You may also be appointed as an executor/liquidator of an estate. As executor, you will need to prepare and file the deceased's final tax return. If the deceased was a business owner, you may need to report the gains realized on the disposition of their shares on the final tax return (unless they are being rolled over to a surviving spouse or to a spousal trust). You will need to know the fair market value of the shares in order to calculate the capital gain or loss realized on the shares at the date of death. As such, you may need to obtain a business valuation report from a qualified business valuator to determine the business' fair market value.

Knowing the value of your business may allow you to take advantage of certain tax strategies.

Insurance

You may have a buy-sell agreement with other shareholders of your business which provides that upon the passing of a shareholder, their shares will be purchased by the corporation. To fund this buy/sell obligation on death, you and the other shareholders may arrange for a corporately owned life insurance policy on the life of each shareholder. When a shareholder passes away, the proceeds of the life insurance policy will be paid to the corporation. The corporation can use these funds to redeem the shares from the estate of the deceased shareholder in a tax-efficient manner. To accurately determine the amount of insurance coverage needed, the shareholders will need to know the value of the business. If, for example, the insurance coverage is set too low, the company will not receive enough proceeds to purchase the shares from the deceased shareholder's estate at fair market value. Any shortfall will have to be covered by the corporation's other assets (e.g. cash or investments). Insurance coverage in excess of the fair market value of the shares will result in the company spending too much money annually on insurance premiums. As such, it is important for shareholders to know the value of the business when arranging for life insurance coverage on the lives of the shareholders.

Litigation Purposes

You may be involved in a legal matter that requires you to provide the value of your business, some examples of which are provided below:

Marriage Breakdown: Depending on your province or territory of residence, upon marriage breakdown, you may have to divide the value of the property acquired during your marriage or the value of property considered to be family assets with your spouse. Both you and your spouse may be required to determine the value of your total assets and liabilities as at the date of marriage and the date of separation. If you are a business owner, you may have to obtain a valuation of your business as of these dates.

As a business owner, you may want to keep the company's financial records and statements as of the date of marriage so that the value of the business at this date can be determined if needed in the future.

Shareholder Oppression: As a minority shareholder, there may be instances where you feel that the majority shareholder is acting in a manner that is unfairly prejudicing your rights. In these instances, you may apply to the Court to force the majority shareholder to purchase your shares of the company for an amount equal to their fair value. You will therefore need to determine the fair value of your shares.

Damages: There may be instances where the actions of others have resulted in your business ending or suffering losses. As a result, you may seek damages to compensate you for your loss. You will need to know the value of your business as part of your claim for damages.

In each of these instances, you will likely need to obtain a business valuation report prepared by a qualified and independent business valuator.

Financing

Your corporation may require financing for various reasons including expanding operations, meeting short-term funding problems or to purchase capital assets. A lender may want to review your company's financial statements and other records to assess the company's current financial position and viability. The lender may also ask you to provide the value of the business or even to obtain a business valuation report prepared by a qualified business valuator.

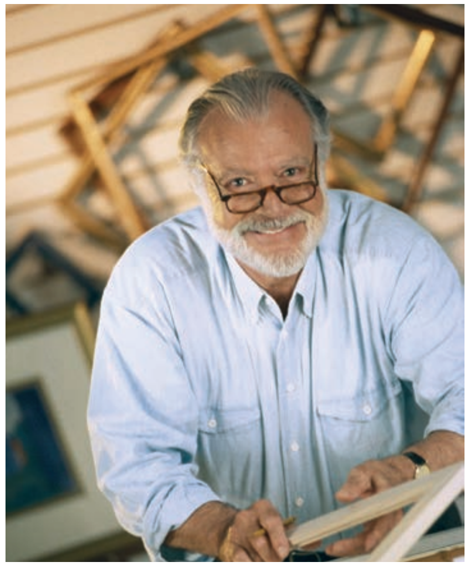
In some circumstances, the lender may also ask for certain corporate assets (e.g. equipment, building) to be used as collateral for the loan. The lender may require you to obtain an appraisal of the corporate assets to be used as collateral. This would not be done by a business valuator and would require a qualified appraiser (e.g. an equipment appraiser for machinery or a real estate appraiser for land and building).

Triggering Events in a Buy-Sell Agreement

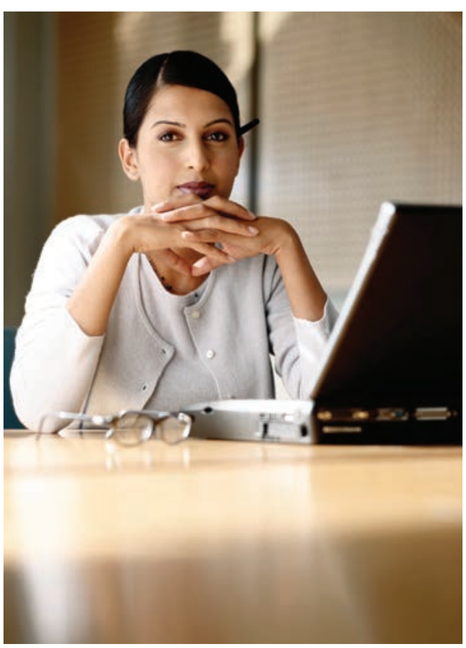
You and the other shareholders may have agreed in writing on specific circumstances where the company is required to purchase the shares of the business. For example, your agreement may stipulate that if one shareholder becomes incapacitated, the company must redeem their shares. Your agreement may also provide that where the shareholders decide they can no longer work together, one must purchase the shares of the other. A purchase price for the shares may be stipulated in the agreement. Often the purchase price is said to be fair market value on the date of the purchase. In these situations, the shareholders will need to know the value of the business on the date of the transaction. Buy-sell agreements may provide how the valuation is to be done (e.g. obtain a third party business valuation report from a qualified business valuator or a specific business valuation firm).

Determining Business Value

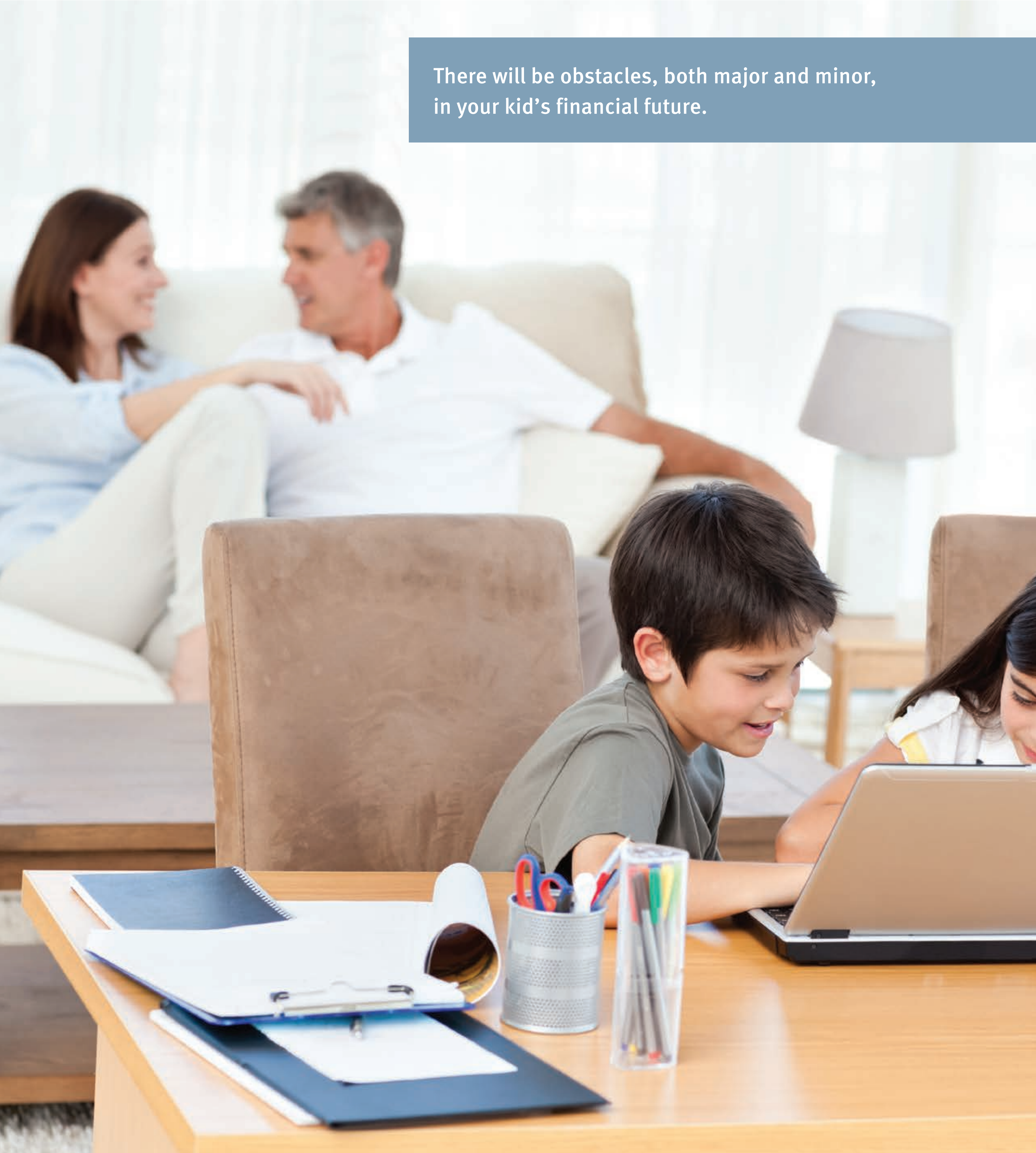
Knowing the value of your business is essential to any retirement or estate plan or sale of your business. In certain situations, the value of your business will be based on the concept of fair market value. If, however, you are interested in selling your business and want to understand what price you can expect to receive, a business valuation based on fair market value may not be appropriate. Fair market value may not always be equal to price for numerous reasons such as the negotiation ability of the potential buyers and seller, a potential buyer may be willing to pay more for a higher market share or for synergies, and buyers and sellers may be working with different levels of information. In this situation, you may want to speak with a qualified business broker who has experience in the sale of businesses in your industry. A qualified business broker will be better equipped to speak to recent transactions in the industry and provide guidance as to the selling price of your business.






There will be obstacles, both major and minor, in your kid's financial future.



Budget-Friendly Spending, Safe Debt and Other Learning Experiences…

Teaching Your Financial Values to the Next Generation

Worried about the long-term consequences of raising your children in an affluent or high net worth environment? Your concern is shared by many parents who want to create a culture of responsible financial management within the family to teach the younger generation valuable spending, investing and debt management practices. There are many potential ways to instill your values in the next generation of your family. Some techniques apply to virtually every family. Children and young adults learn by example, teach them the value of saving for long-term goals and let them learn from their mistakes.

A Cure for "Immediate Gratification"

We live in an environment that emphasizes consumer spending. The message to spend is constantly communicated through multiple media vehicles. It's powerful and seductive and it teaches that happiness is found by acquiring material possessions. In comparison, saving for long-term goals doesn't seem much fun.

Here's where you come in. Build a culture of saving at home. Potential techniques could include positioning saving as a tool, rather than an onerous task and emphasizing the larger and more rewarding purchases that are possible if you save strategically. Find fun ways to make the saving experience an enjoyable journey, rather than an exercise in frustration. This may be achieved, in part, by introducing children and young adults in your family to the concept of opening and managing their own bank account, checking their balance and interest payments online and familiarizing themselves with prudent online banking practices like protecting their password and PIN. If you wish, plan treats for the family, from time to time, using some of the funds they've saved. This can help keep the focus on the positive aspects of saving. One suggestion may be to buy them a Canada Savings Bond and show them how the money grows on its own. In time they can invest it with the aim to produce higher returns, but for now, the lesson about saving and growing is the important part.

The idea that "we can't afford" everything, every day, may be a challenging concept to convey. This is particularly so if your children are aware, in a general sense, of the family's relative affluence. To overcome the idea that every desire can be gratified, in the short-term, consider including your children in the process of planning major purchases. Allow them to see how you set your budget, compare the features and prices of different products and choose one retailer over another. Introduce the idea that "you can only spend the money once". That way, the decision to purchase becomes the final step in a series of choices and considerations for which you have a clear rationale. Hopefully your kids will also start to appreciate that their choices have consequences and make those choices with an appropriate degree of seriousness.

If your children earn income, through employment, an allowance or receive gifts or inheritances, insist that they save at least a portion of those funds to achieve long-term objectives. In a low interest-rate environment, options for growing your savings can seem limited but it is important to focus on developing a habit of saving early on. If they are working, even part-time, you might want to position the purchases they want to make in terms of the number of hours they would have to work to earn the after-tax income to afford that item.

Discussing Your Income With Your Kids – When to Do It, When Not to Do It and How to Do It

There's no right way to approach a discussion about your family's income with your children. It's a matter for personal judgment. Are your kids mature enough to know the details? If you judge that they are, and consider there is a benefit to providing this information, you don't need to use a dollar figure unless you want to.

Practically speaking, knowing the family income can help give your children a concept of where the funds go on a monthly basis and it may be a way to communicate the idea of 'needs' and 'wants'. For example, the budget requires the payment of certain mandatory expenses but won't necessarily guarantee other more discretionary spending. Getting this valuable lesson across doesn't have to involve divulging details with which you are uncomfortable. If you prefer, you can position your household in relation to others in your neighbourhood, or those of family and friends. Some parents choose to explain where the family falls in the financial spectrum by explaining that there are families that have greater or lesser incomes. You could expand on this, if you wish, by venturing into a brief explanation of how your family acquired its standard of living, maybe touching on how your income fluctuates, if this is the case and the way in which you can plan for times of greater or lesser affluence. The idea of retirement planning may be an appropriate example and one that your kids may not have considered.

However you choose to approach this topic, or even if you decide to avoid it altogether, it may be wise to discuss what you spend before discussing what you earn. The idea of what it costs to run the household can then take root, followed by a better understanding of what remains after the bills are paid and how any surplus is allocated. It then becomes clearer why certain expenditures may not always be possible and how funds are found to facilitate major purchases.

Leading by Example

Your kids observe you on a daily basis. You may think they're not paying attention, or are preoccupied with their own priorities but your behaviour is very much part of the fabric of their experience. It's difficult to encourage your children to save, budget and spend strategically if you are making impulse purchases and frequently paying late fees on your bills. So practice the behaviour you're trying to foster in your children. This may take the form of showing them how to live within their means, make online bill payments and use a credit card responsibly. If you feel that they don't have the maturity to respect the privacy of your financial information, don't share those details with them. Introduce them to concepts in a manner that's appropriate for their age and maturity level.

The Question of an Allowance

Some parents believe that providing an allowance is a useful learning tool, others consider it could be construed as a hand-out that breeds a sense of entitlement. Either way, there are techniques that may help teach your children money management skills. If you do pay an allowance, make it clear that "when it's gone – it's gone". Don't provide credit. When your kids have exhausted their weekly amount, for example, they can't get an advance on next week's allowance. That will hopefully encourage them to spread out their spending over the payment period or save it and watch it grow.

Having a fixed 'income' in this way and deciding what to do with it may help develop an understanding of what it means to waste money. If you spend your allowance or several weeks' allowance on an item without considering whether you really want it, you might reconsider, the next time you're faced with a spending choice.

On the subject of whether or not to pay an allowance, one generally accepted piece of wisdom is not to pay your kids for doing daily chores. Pulling your weight in the running of the household shouldn't be paid work. Extraordinary tasks, like completing a landscaping project, for example, may be different. It's up to you. Consistency is key in communicating your values over the long-term. Children observe your pattern of behaviour.

Let Them Make Mistakes

Culturally we're oriented towards protecting children and young adults and preventing behaviour that's likely to cause harm. The downside of this strategy is the possibility that kids may miss out on the learning opportunities inherent in making mistakes and experiencing the consequences. How tight do we keep the reins?

Growing up in the knowledge that parents or other family members will indiscriminately fix your blunders, financial or otherwise, won't bring about responsible behaviour. Learning from experience may help achieve this, within reason. You may wish to keep your offspring on a relatively short financial leash, but allowing them to make imprudent decisions from time to time and figure out what went wrong can be an invaluable lesson. How did they spend more than they intended, for example, when shopping online, for what purported to be a bargain? Sometimes, paying tax and shipping costs and even customs' fees that you hadn't factored into the price, may ensure you never make that mistake again. Review purchases and hidden costs with your child to help them understand what they need to watch out for in future.

There will be obstacles, both major and minor, in your kids' financial future. Allow them to navigate around a few early on, while the funds involved and the subsequent damage are limited. This may build their awareness of more substantial pot-holes that could lie ahead.

Your kids observe you on a daily basis. You may think they're not paying attention, or are preoccupied with their own priorities but your behaviour is very much part of the fabric of their experience.

Practice Safe Debt

Financial management decisions are among the many challenges awaiting older children and those experiencing life for the first time as students in post-secondary education. In view of the social and academic demands of this new life, budget-conscious behaviour may not top the list of priorities.

As a starting point, encourage your kids to draw up a realistic budget. This involves determining regular expenditure, like rent, groceries and transportation costs, for example. Then compare essentials vs non-essentials. Do they need a large data package for their phone, for example? Can they afford the expense of running and maintaining a vehicle, and if so, what kind of vehicle? This all helps to build up a picture of how funds are being spent and where adjustments to spending could be made if necessary.

Managing a credit card is a fundamental technique of modern life but mistakes can sometimes have painful consequences. A few pointers to your kids on the use of credit cards can help make them an effective financial tool and build good future habits. Tip number one: Pay credit card bills on time and don't carry a balance. Know the interest rate on your card and understand what happens if you only make the minimum payment. In second place, but not far behind: Keep an eye on the activity on the card by checking the balance online regularly. Report any transactions you don't recognize and if you suspect your credit card is lost or stolen, contact the credit card company immediately.

Here are a couple more prudent cardholder practices that you may want to pass on to your kids. Choose the right credit card for their needs. Do they need one with a rewards program, extensive insurance coverage and high annual fees? There are lots to choose from so choose carefully. Impress upon them the importance of protecting their PIN when they use their card and checking out the security features if they use their card on a public website. Always log out properly and clear the browser history, especially if using a public computer.

Whether your kids have a credit card, a student loan, a line of credit or another type of lending product, there are debt management techniques worth noting. Keep track of the relative interest rates and the terms and the conditions that apply. Pay off high interest debt first and live within your income. Don't factor every dollar into your plan. You may need additional funds to deal with the unexpected. When it is time to pay off debt, create a realistic plan for debt payments and stay with it. Consider directing a pre-determined sum directly from your bank account each month to pay off debt. Credit and lending products can be important financial management tools. Your kids can benefit from using credit effectively as long as they understand how these tools work and employ them responsibly.

In Conclusion

Your approach to discussing financial management with your children should be based on your personal preferences. Even kids who don't demonstrate interest or aptitude for learning about saving and investing will need a level of competence to manage funds effectively later in life. Develop sound budgeting and money management habits while they're children by integrating some of these practices into the life of the household.

Investing With Your Kids – Some Do's and Don'ts

Your personal investment style and comfort level may determine whether you choose to introduce your kids to the concept of investing and if so, how. If you've talked about budgeting and saving to your kids, and they are of an appropriate maturity level, it may be time to move on to discuss investing. You may include your kids, as you deem appropriate, in meetings with your investment professional, to familiarize them with the decision-making process.

Some parents purchase stocks in-trust for their minor children to demonstrate investment practices and inspire children's interest while they're young. This may give them an incentive to follow stock prices and monitor investment earnings over time. It can provide insight into how different investment products work and, potentially pass on some of the experience you've gained over your investing lifetime.

Remember to convey that successful investing isn't about picking stocks because you recognize a favourite brand name or choosing those you think will generate the best returns. If you want to introduce your kids to investing, make it about saving the funds to invest, assessing your risk tolerance, your level of investment knowledge and your time horizon. This should be the basis for making stock selections. You then can move on, if you wish, to the benefits of diversification, investment management fees and tax minimization. How far you go depends on you, your kids and your long-term objectives. Bear in mind that kids should be aware of how trading fees and commissions may affect the return on investments. If you're purchasing stocks in small quantities for learning purposes, the fees charged may be disproportionate. Consider mutual funds and other products that provide diversification but don't have trading fees. Novice investors may want to make small regular contributions which this kind of investment product may be able to accommodate, together with no minimum balance requirements.

The show, then, is a marvel of both commercial enterprise and creative spirit… a whole lot of business is transacted over the scant seven days of the fair.

About Time: Baselworld

Messe Basel, roughly translated as "fair grounds" or in this case, "exhibition halls", is at the heart of the picturesque, small city of Basel, Switzerland. The Rhine River runs through it, and many suburbs are actually in France and Germany. Architectural wizards Herzog & de Meuron took on the task of redesigning much of the Messe, mainly to accommodate the Art Basel fair, and even more urgently, the biggest, most comprehensive and commercially vibrant watch show on earth, Baselworld.

The city's main tram lines stop right in the beating heart of Messe Basel, at a stop called City Lounge, an open space encompassed not only by the main exhibition halls, but a magnificent, airy, molded steel apparatus that seems to shift and swirl above. The wavy steel girds also the entire length of Hall 1, which is itself divided into North and South, joined by overhead walkways invisible from outside, but also joined symbiotically by the City Lounge, always abuzz with activity during the fair.

There are four additional halls, which makes it possible for Baselworld to include a multitude of jewellery designers and retailers, along with virtually every company ever known to make a watch. (The only real exception is the Richemont group, which recently decided to hold its own mini-fair in Geneva, a month ahead of Baselworld.)

It is important to understand that all watches are not created equal. Many fashion brands (Fendi, Micheal Kors, Salvatore Ferragamo, Gucci), automobile brands (Lamborghini, Ferrari, Jaguar), and multiple other marques include in their overall offerings watches of some kind. They can range from relatively cheap to very steep in price, but generally, these are watches made by watchmaking companies, and then branded appropriately. Style, then, is very much a driving force in the watch world.

Then there are the illustrious, original watchmaking companies, most borne in the 16th and 17th centuries, and all in Switzerland. The Swiss have, in essence, created since those early days a kind of monopoly on the stratosphere of watchmaking and horology, something that persists to this day. Those companies make limited numbers of hand-made timepieces, sometimes even unique, one-of-a-kind pieces, and this is where the stuff of legends is born. Brands at this level include Blancpain, Breguet, Patek Philippe, Girard-Perregaux, Jaquet Droz, among a few others.

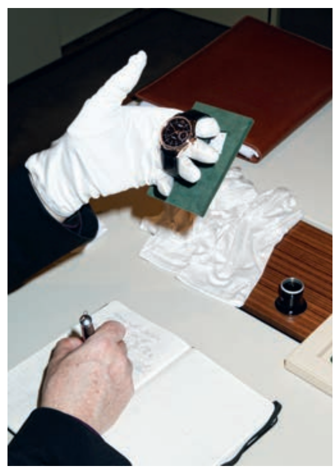
Companies such as Bulgari and, even more acutely, Chopard, Chanel, and Harry Winston, have invested in their own Swiss manufacture, and make exquisite pieces also in limited quantities, to accompany the somewhat more widely available pieces. Louis Vuitton has also made this commitment. As part of the Swatch Group, Harry Winston has the further benefit of having access to the technical and production prowess of Blancpain and the distribution and marketing power of Omega. While retaining their own design aesthetics, it seems Harry Winston has the best of all worlds.

The show, then, is a marvel of both commercial enterprise and creative spirit. The exhibition halls are carefully plotted out, and the major brands all erect their own boutique, from scratch, for every new show. These are, for all intents and purposes, fully functioning retail boutiques, but inside, especially among the higher end brands, are luxurious


BVLGARI


ROLEX


BASELWORLD



It is not now, nor was it ever, about keeping time. These are pieces that are testament to human endeavour, creativity and to patience.

reception areas, with La Marzocco or Nespresso machines, gourmet foods, champagne, and ubiquitous Wi-Fi. And then there are the inner sanctums, where VIP guests from all over the world come to learn about the new lines, new looks, innovations, flourishes, and make their assessments about their own markets back home. So a whole lot of business is transacted over the scant seven days of the fair.

The juggernaut known as Rolex, its three-storey high boutique presiding grandly over the festivities, has window displays that encompass their history, as well as their ability to create new versions of old classics, or pieces completely new. Across the promenade, Patek-Philippe displays an array of exotic timekeeping mantle pieces, each its own work of art. Further down the way, Breguet has an external display of limited edition pieces that begin in the $200,000 Euro range. Jaquet Droz displays a unique piece featuring two gold birds that feed a diamond-encrusted nest full of babies, at the top of every hour.

When these companies say they have made a unique piece, or a limited edition run of 10, or 25, or 100, they mean it. They have to mean it, since value is directly related to volume. Stephen Forsey, watchmaker at Greubel-Forsey, a relative newcomer at the high end of horology, but a force to be reckoned with, shows, for example, a Grand Complications IV, one of only 10 made. "We have had many, many offers, for ridiculous sums of money, to make an eleventh. But the answer is always 'no'. The 10 are special, unto themselves, and to arbitrarily make more would simply be wrong." And no doubt it would affect the value of the 10, if an eleventh magically appeared. Reputation is second only to actual quality for these esoteric brands.

Willy Schweizer is conservatuer de patrimoine for Girard-Perregaux, a company started in 1791. He was a master watchmaker, but now is more of a technical advisor, mentor, and keeper of the hallowed traditions of hand-made watchmaking. He holds a Constant Escapement L. M. For 2014, this watch is available in pink gold, and he turns it slowly in his gloved hand before handing it over. "It is not now, nor was it ever, about keeping time. These are pieces that are testament to human endeavour, creativity, and to patience." He smiles, takes back the watch, sets it gently down. "For a generation or two, we were concerned there would be no one to keep this tradition alive. After all, a watch like this requires 16 months of detailed labour to build. Not everyone is cut out for that kind of work. But, I think we are beginning to attract a younger artisan to the industry now." He smiles, as if he has just avoided a close call.

This particular watch was awarded the Aiguille d'Or at the Grand Prix d'Horlogerie de Genève in 2013, for its constant force escapement mechanism, the first ever of its kind. The pink gold version for 2014 provides reason for the brand to celebrate such a prestigious award all over again. And it reinforces what Baselworld is all about. There is the high level of commerce being done, certainly. But there is also a celebration of the steep traditions of Swiss watchmaking. New complications are exceedingly rare these days, and when they are announced, the watch world jumps to attention. (A complication is, in fact, anything on a hand-made watch that is not the hour and minute hands on the face of the watch. So, calendars, lunar calendars, compasses, were all early complications. And it became an ongoing challenge for certain brands, certain artisans, to invent something completely new. Jaquet Droz to this day celebrates its first ever new complication, achieved in 1785, by Pierre Jaquet Droz. It was called the Grande Seconde, and magnified the second hand.)

Some, such as Blancpain, valorize classicism and clean design. Others, such as Chopard and Harry Winston, emphasize both design and overt beauty, usually in the form of diamonds, found on the bezel, the face, and even the strap of a watch. Breguet runs a fine balance between the two, while Greubel-Forsey makes it clear they are creating an homage to the old traditions, with every piece they make. It goes a long way to explaining why they can only produce, in total, 100 pieces a year.

Baselworld is a dazzling display, and it is startling to consider just how many watches are made, marketed, and sold in the world every day. And just when you think you have a handle on it, something else catches your eye, your attention. So many watches, so little time.

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It's All Good – Dining in Toronto

Canadian cities have been under increasing scrutiny, for better or worse, given the wildly uneven quality of the commentary in terms of what is now called, ubiquitously, their "food scenes". When David Hawksworth's Young Chefs Scholarship had its inaugural competition last year, both Anthony Walsh and Mark McEwan flew in from Toronto for the occasion, as part of a national panel of well-known chefs who judged the competition. Both of these chefs fielded a hailstorm of questions centered around two themes. Where is the hottest food scene on the planet today? (The answers ranged from Singapore through Hong Kong and on to San Sebastián.) And, what is the best food city in Canada, and, as corollary, how does Vancouver stack up with Toronto? (The answers were not evasive, but certainly non-committal.)

You could forgive them for being perhaps a little tired of, bored with, such lines of questioning. It is as if the dining in any particular city can somehow be measured empirically against other cities. You can get into a heated argument, especially if the invigorated cocktail scene has made its presence known, about whether New York is a true rival for Paris, if either rivals London, or if Canada generally is in the game at all. According to the popularity contest known as the San Pellegrino Restaurant Awards, the answer to the latter question appears to be "no".

But, let's say you are from the Maritimes, or from Western Canada, and in Toronto, as many are, on business for a few days. Let's say you are taken to a few outlying neighbourhood places, and not every place is about fine linen and tall, big-bowled stemware. Toronto is, simply put, a terrific place to dine out. All the trends are established; organic, local, sustainable. That is in part due to a coterie of hot young chefs making their mark, but it is also due to a distinguished history in this city of fine dining, led by such names as Robert Sulatycky, Michael Eisenstadt, Jamie Kennedy, Lynn Crawford, and Mark McEwan.

McEwan, a Food Network star in addition to now owning four restaurants, a catering company, and a fine little grocery store, remembers the old days. "When we started North 44, up on Yonge, the idea of a neighbourhood place that had fine dining aspirations was almost unheard of. But we stuck to the plan, which still is to bring the best food we could, prepared well and presented well, and sure enough, diners liked us, and stayed loyal," he says. "Today, the diner is so much more knowledgeable, is well-travelled, and has eaten in some pretty great places all around the world. So the bar for us has never been higher."

Roberto Martello has been bringing his take on Puglia to his clients at Grano for nearly 30 years, and the place always seems full, so the notion holds firm; put quality on the plate, emphasize great service, and you have a shot. Another celebrity chef, Lynn Crawford, has embraced a more casual, friendly approach at her Ruby Watchco, a hit right out of the gate. Claudio Aprile, long a bastion of haute cuisine partially inspired by his days cooking in Spain, has struck the right notes at Origin, the more approachable companion to Colburn Lane. David Lee, who ruled Harbord Street at Splendido for many years, and found great success at Nota Bene, has branched out into a BBQ place, called the Carbon Bar.

And the celebrity chefs are no longer local only. Daniel Boulud has found a happy landing for a Café Boulud at the Four Seasons new property; David Chang is making people sigh over his noodles in an always packed Momofuku, based on his crazily successful New York restaurant.

But the real mark of a vibrant food scene in a city this size is what happens at the hot new joints, or when a hot new chef arrives at a popular restaurant and takes it to new levels. Enoteca Sociale is a great example, where chef Kris Schlotzhauer runs some amazing, simple, delicious food out of a tiny kitchen. "We are so fortunate in this region, where amazing, fresh seasonal foods are not just a talking point, it's reality," he says. "And our guests are so knowledgeable, and appreciate it all." A treviso salad is graced with grapefruit, pistachio, and chili; the albacore tuna conserva has a nice bite of orange, fennel, olives, and red onion; the fish of the day is served whole; the 45-day dry-aged Ontario ribeye is completed with parmesan, balsamic vinegar, and arugula. This place rules Dundas West.

Tucked onto Temperance Street, though in no way could you say this restaurant advocates such a thing, is the Chase. Downstairs is convivial, casual, a gigantic bar and lounge area giving way to street-side casual dining, while upstairs, an elegant, carpeted room provides a somewhat more hushed but still vibrant experience. That is because the food coming out of the kitchens is approachable, wines by the glass are plentiful and good, and the service is really an extension of the idea that the place exists to make you happy. Judging from the laughter and the lineups at both the door and the bar, it seems to have caught on.

College Street still has its fine rooms, but venture a bit further away from University and you will, after looking for it closely enough, find Bar Isabel. Chef/owner Grant van Gameren, has hit the mark with a place that looks a bit shopworn, but is comfortable, charming, and bustling. "I wanted a pretty specific situation, a comfortable place where we could do what we really want. All the charcuterie we make ourselves, the meats, there has never been a better time for sourcing things." In the kitchen, he and his small brigade turn out small plate after small plate of amazing contorni, the best sardines in the city (we had to use that cliché at least once), and some terrific mains. Add some pretty obscure sherries and a nicely built wine list along with plenty of craft beers on tap, a staff that seem to enjoy being there and doing what

they are doing, and you have a little night magic. At 11:45 p.m., it is no less hopping than at 7. "People love it. No pretension at all, just the best things we can put on a plate."

This is the kind of restaurant that gets the locals excited. It feels like something you would find only in a great food city, and to now be able to find it, in its modest surroundings in a quiet part of town, is to somehow feel like, yes, this is a good place to be. Portland, a current darling of the restaurant media, has some fabulous places, but none better than Bar Isabel. Like Model Milk in Calgary, and L'Abbatoir in Vancouver, it is setting its own standards and beating them every day, being innovative to some degree but mainly just putting out great dishes people love to eat.

So, there is great dim sum and Lai Wah Heen; undeniably great pizza at Pizza e Pazzi; plenty of good coffee houses, none to date any better than Dineen Coffee, right near the Chase; gelato, sure, at Il Gelatiere Artigianale. The choices for Portuguese restaurants on or near College Street alone would require serious amounts of time.

Toronto may be the third largest metropolis in North America, but its status as a food city is, if anything, growing faster than its population. For visitors and locals alike that is nothing but good news, and good eating.

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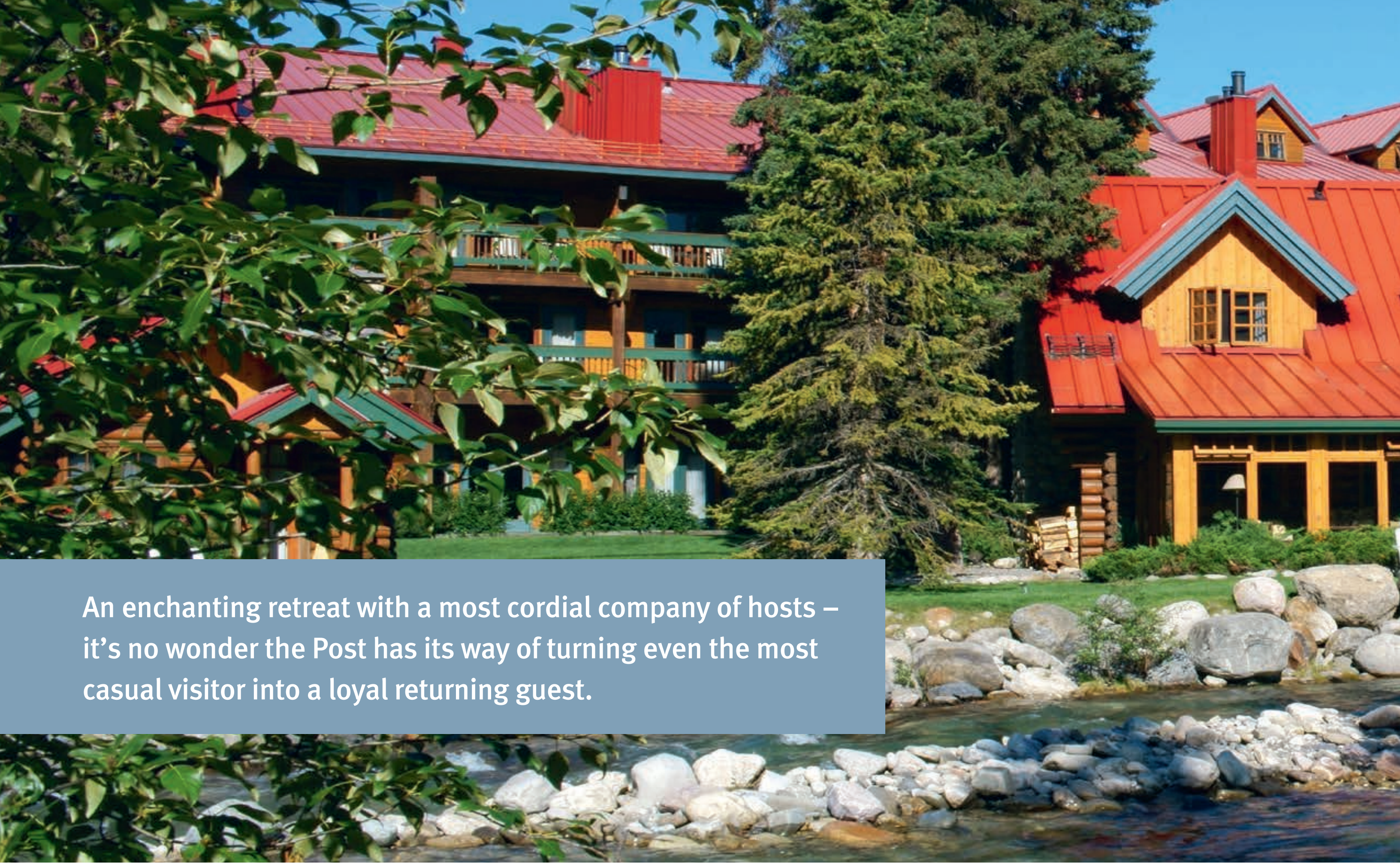

An enchanting retreat with a most cordial company of hosts – it's no wonder the Post has its way of turning even the most casual visitor into a loyal returning guest.

Postcard Perfect – Post Hotel & Spa

In 1942, a crew of 10 men led by guide, outfitter, and builder Jim Boyce of Banff, turned a pile of logs sourced from Revelstoke and the headwaters of the Bow River into the Lake Louise Ski Lodge. Unfortunately, the lodge experienced only one successful season before it was forced to close as the Second World War continued to intensify. In 1948, British aircraft manufacturer and avid sportsman Sir Norman Watson re-opened the hotel. Having travelled extensively in the Swiss Alps, Watson's dream was to show people that life in the mountains was possible. (Today, the Lake Louise village is Canada's highest community at 5,033 feet.) Watson later renamed the lodge, calling it the Post Hotel partly because a building on the site had been leased to a post office, but also aligning it with the many traditional Post Hotels in the Alps.

Current owners André and George Schwarz, brothers from Zurich, Switzerland, entered the picture in the 1970s. The two self-proclaimed "ski bums" had only planned to stay a year, but, like many before them, experienced the magnetic pull of the Rockies and returned for several consecutive years before making a permanent move. André was asked to take over the ski school at the Lake Louise Ski Resort, and became a bit of a legend himself, revered today as the father of modern ski technique; George opened his own Swiss-Italian restaurant, Ticino, and became increasingly active in the Banff culinary scene. Meanwhile, Watson had returned to England, but visited annually; he met the Schwarz brothers on the ski hill and was eventually invited to André's home for dinner. Watson arrived to find a trailer in place of a house, and amused by his living arrangements, coined it the "trailer deluxe". In 1978, Watson sold the Post Hotel to the Schwarz brothers ("Swiss peasants want to buy my hotel!") feeling confident that the Schwarzes were equally committed to building ski tourism in the area. The deal was finalized in George's garden where the Englishman was served "the worst tea [he] ever had".

Neither brother had experience or formal training, but they assumed their new roles as hoteliers wholeheartedly. "We had to find out how to do everything," André says. "It was haphazard in the beginning, but we had a chance to make something." Over the next decade, they turned a modest,

rustic chalet of 14 rooms into a Relais & Châteaux destination resort with 60 rooms, 29 suites, and five riverside cabins, three of which are originals built in 1942. “This is one of the most humane places in the world,” says André. “We are very grateful for this country. The generosity of the people—we could never have done this in Europe.”

In winter, under a thick blanket of snow, the Post Hotel is a truly magical destination, and nothing short of breathtaking. But in summer, it is vibrant, verdant, framed by towering spruce and pine trees. There’s plenty to do: the hiking in Banff National Park is spectacular, with 200 kilometres of trails in a 7,748-acre area ranging from a lovely nature walk to a challenging trek; for anglers, the Pipestone River runs alongside the property, and so do steelhead, cutthroat, rainbow, brown, and trophy brook trout; and those seeking more of a thrill can head out to nearby Kicking Horse and Kootenay Rivers for a whitewater rafting adventure.

George continued to pursue his true passion, food and wine, and immediately began and positioning the Post Hotel as a culinary destination. At present, leading the kitchen is Swiss-trained Hans Sauter, only the fourth executive chef in more than 35 years. Delectable offerings include carpaccio of Olson Ranch bison tenderloin with wasabi remoulade and the whole roasted Northwest Territories caribou striploin with maple whiskey game sauce and spätzli. The Post is also home to one of the most comprehensive inventories of wine in the world; the cellar is stocked with over 25,000 bottles, including 2,200 unique labels, a collection George began working on over 30 years ago, hand-selecting bottles around the world.

The Post Hotel is distinguished by its impeccable service and a focus on the finer details. The Schwarz brothers are still very much involved in the day-today-management; André is a brilliant host, and can often be seen in the dining room, visiting with guests as they enjoy breakfast in the morning. (It’s also not unlike him to go on the occasional ski run with them, too.) André and George’s special brand of hospitality—polished, sincere, personal—means that guests feel right at home in an instant. Even staff find it hard to leave; many have been with the hotel for over 20 years, including the beloved general manager, Geoff Booth. An enchanting retreat with a most cordial company of hosts, set against the sublime mountain backdrop—it’s no wonder the Post has its way of turning even the most casual new visitor into a loyal returning guest.

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Until Death Do Us Part Then Everything Can Change…

Ensuring a Smooth Transition of Your Estate From Your Spouse to the Next Generation

The focus of many estate planning books, articles and resources is on transitioning wealth to the next generation and preparing children for future inheritances.

The majority of estate plans in Canada, however, involve a slight detour along the way to this transfer of wealth: the surviving spouse. These estate plans leave a deceased's assets to the surviving spouse with the expectation that this individual, upon their death, will pass the estate to the next generation. This process also allows for a deferral of Canadian income taxes until the surviving spouse's death.

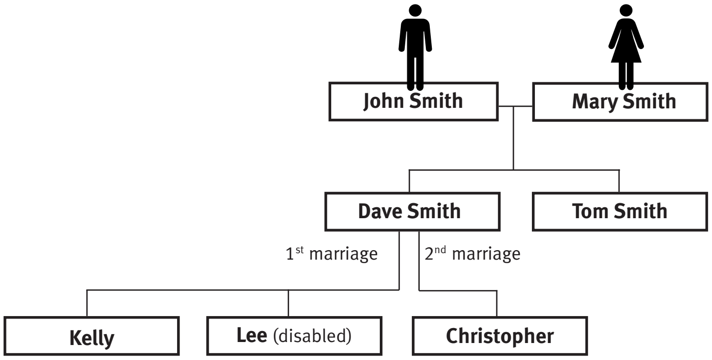
When preparing your estate plan, you should ask yourself a series of questions, including:

- Is my spouse prepared to be the first heir?
- Will my wishes be carried out by my surviving spouse?
- What if my spouse remarries?
- Should I draft my Will in a manner that takes advantage of the tax deferral or in a way that adequately reflects my current wishes?

These questions are often overlooked as most couples revert to the common and simple strategy of leaving everything to the surviving spouse.

Meet John and Mary

Take, for example, the Wills of John and Mary Smith, married for the last 30 years and parents of two adult children, Dave and Tom. Dave has two children, Kelly and Lee, from his first marriage and one child, Christopher, from his current marriage. Providing for Lee, who suffers from a severe disability, is a priority for John and Mary. John recently inherited $5 million from his father's estate, allowing him and his wife the freedom to retire.



John and Mary's current Wills leave all their assets to one another. Upon the surviving spouse's death, the assets are divided equally between Dave and Tom. Mary is inexperienced in managing finances, leaving John to take care of everything related to money.

Dave works as a tradesman and although he is a very hard worker, he and his wife spend freely on travel and clothing and have saved little for their future. John and Mary are concerned that the assets they leave Dave in their estate may be mismanaged. They are also worried that if Dave passes away and leaves his estate to his wife, she may exclude her stepchildren from her Will, thus depriving Kelly and Lee of Dave's estate and the estate of their grandparents'.

Tom is a high income earning salesman with sound financial acumen. Unfortunately, he has separated from his wife on more than one occasion.

John and Mary's assets consist of a primary residence, joint non-registered investments, Registered Retirement Savings Plans (RRSPs), Tax Free Savings Accounts, and a life insurance policy on John's life. John and Mary have named each other as executors on their Wills.

There are some traps that could result in different outcomes than what John and Mary envisioned which will be examined further. This article provides some tips on how to ensure your wealth passes from your surviving spouse to your children while reflecting your wishes.

The information is not intended to provide legal or tax advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a lawyer or accountant, as applicable, before acting on any of the information in this article .

Leaving Assets to a Spouse

There are several ways to leave assets to a spouse with the intention that the estate will eventually flow through to the next generation.

Mirror Image Wills

A mirror image Will is the default estate plan for many families. With a "traditional" family unit, creating a mirror image Will is often straightforward and routine. These Wills usually include provisions for the entire estate to be transferred to the surviving spouse on the first death. In the event of a joint disaster or upon the death of the second spouse, the Will directs the entire estate to be divided equally between the surviving children.

A mirror image Will attempts to ensure that the estate distribution scheme remains consistent regardless of the order of death of the spouses. However, it can be a leap of faith because a mirror image Will won't guarantee that a deceased's wishes will be followed.

In general, if one spouse dies leaving their entire estate to the other spouse, the surviving spouse can change their own Will to leave the estate to a new spouse or to beneficiaries other than the couple's surviving children. In most provinces and territories, if the surviving spouse remarries, the existing Will is automatically revoked and intestacy laws would apply in the absence of a new Will[1].

For U.S. citizens living in Canada, this strategy may have a negative impact on planning for U.S. Estate Tax and should be carefully considered. Alternatives may need to be implemented.

This point is illustrated well in a case* where 90 year old Jane, a widow, married 40 year old Joe and drafted a new Will that disinherited her children and left her estate to Joe. The court ruled that Joe exercised duress and that Jane did not have testamentary capacity to draft a new Will and as a result the new Will was invalid. However, the marriage was valid and as a result, the marriage revoked Jane's original Will and Jane died intestate. Joe was able to inherit the majority of Jane's estate under the intestate laws and the spouse's preferential share rules.

* Names have been changed and circumstances altered

Provinces and Territories where a Will is revoked by a new marriage (unless the Will is made in contemplation of the marriage)

	BC	AB	SK	MB	ON	QC	NS	NB	PEI	NL	NW Terr	YK Terr	NU
Will revoked upon marriage	No	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Statistics regarding estate litigation have not been tracked historically. In Ontario, data is starting to be collected. Based on unofficial data gathered for 2012/2013, it appears that approximately 1 in 9 estates are contested in court.

Even if there is no new spouse or new Will, the surviving spouse can give away inherited assets during their lifetime to other individuals. Moreover, the surviving spouse might not be experienced in managing finances, resulting in a significant decline in the estate assets. The surviving spouse might also have solvency or creditor issues, resulting in a potential claim by these creditors on the estate assets.

Children or others might contest the surviving spouse's Will in court believing they were entitled to certain assets left by the first spouse according to the original plan. Contesting a Will in court can be an expensive, lengthy process and may not render the results a deceased intended to achieve when drafting mirror image Wills.

Let's go back to John and Mary. If John dies first, there may be nothing, other than a sense of moral obligation, stopping Mary from revoking her Will and changing the beneficiaries of her estate or gifting some of the assets away during her lifetime. (The same concern would exist for Dave and his wife if they have mirror image Wills.) If Mary remarries, how can John protect his assets and ensure they pass to his children while also providing for Mary during her lifetime?

There are alternatives to mirror image Wills that you may wish to consider.

	ADVANTAGES	DISADVANTAGES
Mirror Image Wills	■ Simple and straightforward ■ Relatively inexpensive to prepare ■ Allows for tax to be deferred until surviving spouse's death	■ Surviving spouse's Will could be revoked upon remarriage ■ Doesn't prevent surviving spouse from distributing the estate before death ■ No guarantee children will receive the estate
Mutual Wills	■ Prevents surviving spouse from changing his or her Will ■ Allows for tax to be deferred until surviving spouse's death	■ More expensive than mirror image Wills ■ Doesn't prevent surviving spouse from distributing the estate before death

Mutual Wills (this concept is not recognized under Quebec law)

Like mirror image Wills, mutual Wills are an estate planning tool. Mutual Wills are based on an explicit agreement between the spouses that following the death of one of them, they will not change their Will to defeat their current joint intention[2].

It has been repeatedly insisted in case law that:

(a) The agreement for mutual Wills must satisfy the requirements for a binding contract and not be just some loose understanding or sense of moral obligation;

(b) It must be proven by clear and satisfactory evidence; and

(c) It must include an agreement not to revoke the Wills.

If done properly, a mutual Will agreement may prevent a surviving spouse from changing the terms of their Will and disinheriting their surviving children in favour of a new spouse or other beneficiaries. However, a significant problem with a mutual Will is that it is virtually impossible to monitor or reprimand a surviving spouse who accelerates spending and depletes the estate.

John and Mary may wish to consider entering into a mutual Wills contract whereby they agree that the surviving spouse will not revoke or change their Will after the first spouse dies. They would need to hire an experienced and qualified lawyer because this lawyer might have to provide evidence in court to determine if the mutual Wills are enforceable. John and Mary may also wish to receive independent legal advice when preparing these Wills.

The concept of Joint Tenancy with Right of Survivorship does not exist in Quebec. In Quebec when joint ownership of property occurs, each co-owner's share would be dealt with according to the directive in their respective Wills. It is therefore important to consider those assets in which there is joint ownership and make an appropriate disposition of that property in your Will.

Joint Assets

Many couples hold most of their assets in joint tenancy with right of survivorship. Joint tenancy between spouses is a sensible and convenient way of holding property that reflects a couple's shared efforts and ensures that the pool of their assets passes to the surviving spouse with a minimum degree of effort and cost. Joint ownership with right of survivorship can be used for purposes including simplifying the administration of the estate and minimizing probate.

There are a number of potential problems associated with owning your assets in joint tenancy with right of survivorship:

- The surviving joint tenant can give the property away during their lifetime rather than passing it on to their surviving children upon their death;
- The surviving joint tenant can remarry and give this property to his or her new spouse (and/or the children of his or her new spouse) upon their death;

A case* that illustrates the need for an explicit agreement is where the mother and father prepared mirror image Wills. Upon the mother's death, one of the children became estranged and had a fallout with her father. Subsequently, the father changed his Will to reduce the daughter's share of the estate. The daughter argued that her parents had mutual Wills and that the father was precluded from changing her share in the estate. The judge rejected the daughter's assertion and held that there must be some agreement in place, other than the mirror image Wills, to conclude that mutual Wills existed.

* Circumstances have been altered

- The property could be subject to a claim by the creditors of the surviving joint tenant; and
- Assets that are jointly owned with the right of survivorship do not flow through the estate of the deceased, so estate planning tools such as testamentary spousal trusts cannot be used for these assets.

To overcome some of the drawbacks of owning assets jointly, you may wish to consider owning assets in your name alone. This sole ownership allows the assets to form part of your estate, thus giving you the option of using various planning strategies such as testamentary spousal trusts.

Testamentary Spousal Trusts

Another way to provide a more assured inheritance for your children is to create a testamentary spousal trust. This trust is established for the benefit of the surviving spouse through provisions in the Will of the deceased spouse. When the first spouse passes away, his or her assets are transferred to the testamentary spousal trust on a tax-deferred basis.

Under this structure, the surviving spouse is the only person allowed to receive income and capital distributions from the trust. When the surviving spouse passes away, the remaining assets go to the beneficiaries outlined in the Will of the first deceased spouse.

John may find that the testamentary spousal trust is the ideal structure to ensure his estate planning goals are met if he is first to die. On John's death, his assets would roll into the trust on a tax-deferred basis and provide income only to Mary during her lifetime. When Mary passes away, the assets remaining in the trust would be paid out only to Dave and Tom (or their survivors). This way, if Mary remarries after John's death, the spousal trust would protect John's assets and ensure they would not pass to Mary's new spouse or any other possible heirs.

However, John should be aware of certain factors regarding testamentary spousal trusts prior to implementation. For one, the assets that John and Mary own jointly, such as the primary residence and certain non-registered investments,

Under Quebec law there is no requirement for probate. A Will prepared by a Notary requires only final searches from the Quebec Bar Association and the Chamber of Notaries. However a Will prepared by a lawyer or done in any other form would need to be approved by the court. The only fees incurred in these circumstances would be those charged by the Notary or lawyer to complete the process.

	ADVANTAGES	DISADVANTAGES
Joint Assets	■ Simplifies administration of the estate ■ Minimizes probate ■ Allows for tax to be deferred until surviving spouse's death	■ Doesn't prevent surviving spouse from distributing the estate before death ■ Joint assets could be claimed be creditors ■ Precludes use of certain estate planning tools
Testamentary Spousal Trust	■ Prevents surviving spouse from giving away estate before death ■ Surviving spouse's financial security assured, as is transfer of wealth to next generation ■ Remarriage of surviving spouse does not affect the trust	■ Increased professional costs for trust ■ Risk that tax deferral is denied if *Income Tax Act* rules are not respected ■ Joint assets become sole property of surviving spouse and cannot form part of trust ■ Assets forming part of the testamentary spousal trust may be subject to probate

will be solely owned by Mary when John passes away and will not be transferred to the trust[3]. These assets would be transferred under the terms of Mary's Will assuming John passes away first.

A Will under which a spousal trust is created will generally allow trustees to encroach on the trust capital for the benefit of the spouse. These powers allow the trustee to use some discretion to make capital disbursements directly to the spouse. John might want to consider carefully under what specific circumstance he would want Mary to be able to receive amounts of capital from the trust. Without proper planning, a situation may arise where Mary may ask the trustee(s) to make a large capital distribution to her. Once Mary receives this capital, the assets become Mary's property to use, enjoy, and bequeath as she wishes. To prevent large capital distributions, John's Will should restrict the circumstances under which the trustee(s) may exercise their discretion to make capital encroachments for Mary's benefit.

Additionally, when drafting the provisions of a testamentary spousal trust, it is important that the provisions adhere to the rules set out in the *Income Tax Act*. Otherwise the trust could be considered "tainted" and consequently would not qualify for the tax-deferred rollover of the deceased's assets to the trust. For example, John cannot include a condition that if Mary remarries, she can no longer receive income from the trust, nor can he have the trust distribute income or capital to his sons during Mary's lifetime.

The 2014 Federal Budget eliminated the graduated tax rates that currently apply to testamentary spousal trusts, beginnng in 2016, which would reduce the tax benefits of these trusts. Even when these tax benefits are eliminated, the testamentary spousal trust may still be useful as an effective estate planning tool to provide for your spouse.

Leaving Assets to Someone Other Than a Spouse

Couples usually leave their estate to the surviving spouse, an advantageous move thanks to tax rules that allow assets to roll over to a surviving spouse on a tax deferred basis. This tax deferred transfer can be achieved by leaving assets to a spouse directly or through a testamentary spousal trust. The rollover is also possible when registered assets such as RRSPs or Registered Retirement Income Funds (RRIFs) have a spouse named as the beneficiary. The tax liability is only triggered when the surviving spouse dies.

If you have children from a previous marriage, you might wish

to leave them some assets in your Will. You'll need to ensure that the estate distribution scheme in your Will dovetails with the provisions of any prenuptial or postnuptial agreement. In the absence of any such agreements, ensure that your Will does not seek to frustrate your spouse's matrimonial property claims. Estate planning for blended families requires careful consideration and may incorporate some of the strategies discussed in this article in appropriate circumstances[4].

If you wish to leave assets to someone other than a spouse, you should be aware that this may trigger an immediate tax liability rather than a tax deferral. However, this tax result should not deter you from achieving your goals and distributing your estate as you wish. Here are some strategies that may help to minimize the tax impact.

Choose and Allocate Assets Wisely

Not all assets are treated equally for tax purposes at the time of death. As a result, you may wish to consider leaving the assets that have the biggest tax hit to your spouse and distributing assets with a smaller tax liability to other beneficiaries. For example, at the time of death, the entire balance of a registered retirement plan (RRSP/RRIF) is included in income and taxed at your marginal tax rate unless you name a spouse as a beneficiary of your plan. It is also possible to get a deferral if a qualifying dependent child or grandchild is named as beneficiary. Special rules apply for a disabled dependant including the ability to have a rollover to a Registered Disability Savings Plan.

On the other hand, a non-registered investment portfolio is subject to tax on taxable capital gains at time of death unless the assets roll over to a spouse. Furthermore, the proceeds of a life insurance policy are not ordinarily subject to any tax. Choosing the right asset for the right beneficiary can be tricky. You may choose assets of equal value for each beneficiary, but due to the different tax treatments applicable to those assets, their eventual values may vary, causing inequality between your beneficiaries.

For example, after much thought, John decided to leave some assets directly to his sons. The majority of his assets are in joint names with Mary so John made Dave the beneficiary of his $1 million life insurance policy and Tom the beneficiary of his $1 million RRSP. The rest of his estate would pass to Mary as she is the surviving joint tenant on these other assets.

Despite what he thought, John was actually not treating his sons equally. Since no other assets are flowing to the estate to pay the tax liability on the RRSP, Tom would have to give up about $500,000 of the RRSP to cover the tax liability while Dave would receive the entire $1 million life insurance payment tax-free.

John can distribute his assets in a much more tax efficient way. For example, he should consider designating Mary as the beneficiary of his RRSP. Next, he should consider naming both Dave and Tom as beneficiaries of his life insurance policy. Finally, if he wishes to leave a larger inheritance directly to his sons, then he should consider moving $1 million from his joint non-registered account into a non-joint account and pass the proceeds of that account to Dave and Tom in his Will.

If John is concerned that his grandchildren won't end up with much of his estate, he should consider the use of a testamentary trust to hold Dave's share of the estate or leave certain assets in a trust for the benefit of the grandchildren. These types of testamentary trusts are discussed further in the Appendix.

While you should not let the potential tax consequences drive the financial planning process, it is important to consider the impact of taxation on gifts and inheritances.

Gifts to Children During Your Lifetime

After considering your overall retirement needs and ensuring you will have sufficient assets to meet those needs, you may consider gifting some of your assets to your children during your lifetime and then leaving the residue of your estate to your surviving spouse. Consider whether there will be any tax implications from making the gift during your lifetime and any impact that the gift may have on your income and cash flow.

For alternatives to making lifetime gifts to your children, please refer to the discussion on inter vivos trusts in the Appendix.

Charitable Giving

You may wish to incorporate charitable giving in your estate plan and provide lump sum gifts to charities in your Will. Charitable donations generate donation tax credits that offset all or a portion of the taxes payable in the year of your death and the year prior to your death[5]. Consider using the donation as a planning tool. It can allow you to leave some of your estate directly to your children and, if a tax liability is triggered as a result, you can use the donation tax credit to reduce the tax impact.

You may also consider drafting your Will in a way that gives your executors the flexibility to make donations in the most efficient tax manner. For example, donating marketable securities that have appreciated in value allows you to eliminate the taxable capital gain and still benefit from the donation tax credit. The following example illustrates the consequences of selling securities in the estate to make a donation or donating securities directly from the estate.

	Donate cash from shares	Donate shares directly
Fair market value of donation (a)	$50,000	$50,000
Adjusted cost base at death	$10,000	$10,000
Capital gain at death	$40,000	$40,000
Taxable capital gain	$20,000	$0
Tax on capital gain @46% * (b)	$9,200	$0
Tax savings from donation tax credit (c)	$23,000	$23,000
Total cost of donation = (a) + (b) – (c)	**$36,200**	**$27,000**

* assumed marginal tax rate of 46%

In this example, the estate is ahead by $9,200 thanks to the executor's decision to donate the shares to a charity rather than donating the cash proceeds from the sale of these shares.

If an executor only wants to donate cash, he or she should sell securities that have a capital loss rather than a gain and then donate the proceeds to the charity. This way, the capital loss would offset capital gains elsewhere in the estate.

Charitable Gift Fund

You have several options to consider when making a charitable gift during your lifetime or in your Will:

- You could give a gift directly to a charity.
- You could give a gift to a private or public foundation.
- You could set up an RBC Charitable Gift Fund during your lifetime. This is a donor advised fund offering the benefits of a private foundation without the related administrative complexities. An RBC Charitable Gift Fund is essentially a private endowment fund within a public foundation. The RBC Charitable Gift Fund is easy to establish and manage, cost effective, and provides you with the flexibility to meet your charitable giving goals during your lifetime and potentially after your death[6].

Life Insurance

You can use life insurance in a number of ways to provide estate plan flexibility.

Life insurance could provide cash flow to your family in the event that you pass away while your children are still young. Life insurance proceeds could also provide funds to meet the tax liability triggered at the time of your death if you leave your assets to someone other than a spouse or on the death of the surviving spouse when the tax deferral ends.

You may also use life insurance to equalize between children or when estate assets are not sufficient to meet your desired goals. When structured properly, life insurance may reduce your overall taxes and, when combined with a charitable gift strategy, it can also magnify the power of your gift.

As part of any financial planning strategy you may be considering, you should speak to a licensed insurance representative about how you can incorporate life insurance into your overall estate plan.

As part of their estate planning strategy, John and Mary should review their existing life insurance coverage to determine if it continues to meet their needs. While John is considering naming his sons as beneficiaries of his life insurance, he should evaluate how this change would impact his overall estate. It may be preferable to name the estate as beneficiary if his Will already includes testamentary trusts in favour of the children. These options should be carefully examined, along with other alternatives, with his professional advisor.

Non-Financial Considerations

When preparing your surviving spouse to deal with your estate and ensure a successful transition to the next generation, some of the most important steps may not be financial in nature. The key steps may focus more on the responsibilities, relationships and processes with which your spouse should be familiar. Consider some of the following tips to make the transfer and management of your estate as easy as possible for your spouse.

Family Inventory

A good first step in developing an estate plan is to compile a comprehensive list of information pertaining to your family's accounts (banking, investments, etc.), advisors, assets, pension information, and insurance policies. This helps ensure that all assets are accounted for. Share the content of this list with your spouse and discuss the details. This can be a valuable exercise so that he or she becomes familiar with what to expect at the time of your death when starting to manage your estate[7].

It is also important to consider your digital legacy and how your surviving spouse will be able to deal with it. Your digital legacy includes: your electronic documents, online currency, photos, videos, records, reward programs, email accounts, domain names, social media profiles, writings, blogs, digital personas, avatars, and balances in your online accounts. A list of your digital assets and how to access them can be useful for your surviving spouse and may reduce the administrative burden of dealing with this aspect of your estate.

Business owners have additional planning needs and should consider having a business succession plan that addresses the business needs and the surviving spouse's needs as he or she may be involved in the business[8].

Introductions to Advisors

If you and your spouse share the same professional advisors for your banking, investments, taxes and legal matters, then continuing these relationships after your death should be seamless. However, if your advisors only have a relationship with you, consider introducing them to your spouse, and possibly other family members, as part of your estate plan. These introductions will allow your surviving spouse to continue working with advisors who know your history and are familiar with your planning. These relationships may help facilitate a smooth estate administration for your spouse and can ensure that any planning you began during your lifetime is continued or completed after your death.

Financial Plan

A current financial plan is important to ensure that life goals will be met. Involving both spouses in the financial planning process can mean that they are more likely to understand each other's needs, goals and concerns. It can provide peace of mind to a surviving spouse who is neither familiar nor comfortable in dealing with financial matters.

Since Mary leaves all money matters to John, reviewing a financial plan with John will give her a better understanding of the family's assets. She will see the family's financial position today and in the future, and she'll be able to discuss her concerns.

A financial plan is not a one-time exercise. As circumstance change, it is important to review and adjust your financial plan as necessary. For instance, when one spouse passes away, the surviving spouse should update their financial plan based on their new situation.

Choosing the Right Executor

An executor is the individual or institution appointed in the Will who will administer the estate. Administration of an estate includes preparing an inventory of assets and liabilities, paying off the liabilities, and distributing the remaining assets as required under the terms of the Will[9]. The executor must settle the estate in a timely and even-handed manner according to the intentions stated in the Will, and must also comply with the provincial/territorial laws governing the estate[10].

When choosing an executor, you should carefully consider not only the importance of an executor's duties and responsibilities but also the willingness, knowledge and ability of the potential executor to act practically and effectively upon your death. An executor is accountable and legally liable for his or her acts of administration. Unfortunately, many executors are unaware of the scope of the role to which they have been appointed.

A common practice is for each spouse to consider the other as their respective executor, as in the case of John and Mary. However, a spouse may not always be the best choice. They are often the most affected with grief following death as well as overwhelmed by the myriad of decisions with which they are suddenly faced. Funeral arrangements alone can be a cumbersome task, not to mention all the other responsibilities involved in being an executor.

An individual can name someone other than a spouse as executor, or someone as a co-executor to act jointly with the spouse. Co-executors simply share the responsibility and become equally bound and responsible for all the duties of the executor.

Here are some alternatives to consider when choosing an executor or co-executor:

a) **Family Members:** You may choose to name a family member or your children as executor or co-executors of your estate. When naming a family member keep in mind the person's age in comparison to your age and their residence and proximity to you. Be sure to ask your family member if they would be willing to act as executor and if they understand what it means.

b) **Professional:** A professional such as your trusted accountant or lawyer can be named as executor or co-executor with your spouse or other family member. Typically the professional is bound by a greater duty of care and held to a higher degree of accountability for any professional services rendered, especially given that they charge a fee for the execution of their duties.

c) **Trust Company:** A trust company is a corporation that has the advantage of not growing old, dying, or becoming incapacitated. Trust companies are highly regulated and are held to the highest degree of accountability under the law. Trust companies charge a fee for their services. They employ a wide variety of professionals and have the expertise to discharge the duties of estate administration, including legal and tax work, in a timely and efficient manner.

In Ontario, an executor is called an estate trustee with a Will. In Quebec, an executor is called a liquidator.

There is no obligation to act as an executor, but once the executor has demonstrated his or her decision to act by carrying out duties or tasks relating to the estate, the executor becomes legally liable for his or her actions. An executor has the right to renounce his or her appointment as executor or may decide to delegate various duties to a third party. While he or she may delegate, the executor retains responsibilities.

To avoid the potential delays and costs associated with an executor renouncing their appointment (choosing not to act), it is advisable to have a discussion with the individual you wish to appoint as your executor, (or your back-up choice) before you draft your Will. This helps ensure that the person you choose will be willing to accept their duties and responsibilities if they are required to act in the capacity of executor at some point in time. It is also advisable to name an alternate executor in your Will in case the executor is unable to act or has predeceased you.

An executor who accepts the responsibility of settling an estate may be overwhelmed by the tasks to be completed, the time constraints and the experience and knowledge required to deal with the complexities of the role. As mentioned earlier, the executor may delegate some tasks to an Agent for Executor such as a professional or a trust company but will always retain final decision-making authority and full legal liability for the work delegated to the third party[11].

Communication is Paramount

If your spouse will be the first heir of your estate and potentially your executor, it is imperative that you have open and regular discussions about your intentions, goals, and plans to allow him or her to be familiar and comfortable with the tasks they will face.

It is equally important that your surviving spouse is familiar and comfortable with your professional advisors so they are able to continue your planning and meet your goals and objectives. Having these discussions during your lifetime may help alleviate any misunderstandings and problems that may arise in settling your estate and give you peace of mind that your goals and objectives will be met while your spouse will be better positioned to be the first heir of your estate.

John and Mary's Final Decisions

With the help of their advisors, John and Mary decided to allow their non-registered assets to flow through their Wills and to include testamentary spousal trusts in their Wills to provide for the surviving spouse while protecting their assets and passing them to their children. John named his children as the beneficiaries of his insurance policy to ensure they had some financial flexibility upon his death. John also acquired a new insurance policy where the death benefit would pay into a Henson Trust for the benefit of Lee (Henson Trust discussed in the Appendix). John and Mary named each other as beneficiaries of their RRSPs. They also decided to name a trust company as executor of their estates. This gave them the comfort of knowing that the administration of their estates would be done in a professional and a timely manner.

The couple went through the process of completing a comprehensive financial plan, which gave them both a better understanding of their financial position. This also helped clarify their financial responsibilities so that when one passes away, the administration of their assets will be less of a burden. This exercise included communicating their intentions to their children and introducing each other to their trusted advisors. By openly communicating their estate goals and proactively deciding on their estate administration, John and Mary have ensured they are each prepared to manage their hard-earned assets when the first spouse dies.

Until Death Do Us Part – Appendix

In addition to the ideas discussed in this article, there are various strategies that you may consider when leaving assets to your children or grandchildren. These strategies are discussed in the appendix below. The following strategies would also apply if you are leaving assets in your Will to other family members such as nieces and nephews.

Considerations When Gifting or Leaving Assets to Children

There are three major concerns that may come up when leaving assets to your children or grandchildren. There are also several potential solutions.

Gift or Inheritance Could Become Matrimonial Property

Depending on the province of residence, matrimonial property claims may apply to assets left to your children and to the income generated by these assets. For example, if Tom deposits his inheritance into a joint account with his spouse or uses the funds to purchase a matrimonial home, the joint account or the home may be subject to a matrimonial property claim and division if he divorces his wife.

Children receiving an inheritance or a gift should keep these assets separate from assets held jointly with their spouse and not inadvertently contribute these assets to the marriage. It is also important to consider drafting cohabitation agreements or prenuptial agreements where appropriate.

Spendthrift Beneficiaries

One common concern among parents is the fear that their children may spend their inheritance carelessly without planning for their own or their family's future. Teaching children financial responsibility and money management should start at an early age.

Creditor Claims

Another common concern for parents is exposing any gifted assets or inheritances to their children's creditors. As part of their estate plan, parents often search for ways to provide their children with some protection while allowing for flexibility and access to funds. It is essential that you speak to a qualified legal advisor regarding any creditor protection options available to you.

Until Death Do Us Part – Appendix

Trusts

There are several different trust structures you may wish to explore to solve the three problems described above.

Inter Vivos (Living) Trusts

You can transfer assets to an inter vivos trust during your lifetime and name your adult children as beneficiaries. You must appoint a trustee, whose responsibilities are governed by the trust agreement. These include administering the trust in the best interests of the beneficiaries and investing the trust assets prudently. In some cases, you could be one of the trustees. When drafting the trust agreement, you could include terms which limit the access your children and their spouses will have to the assets. This structure may also offer creditor protection for your children.

When you transfer the assets to the trust, there will be a disposition for tax purposes, which may result in a tax liability for you. Any income earned in the trust may be taxable to the children (subject to attribution rules). Depending on your reasons for setting up the trust and the way in which the trust is structured, it is possible that once you transfer assets to the trust, you may no longer have access to the funds for your own personal use.

Testamentary Trusts

In your Will, you could create a separate testamentary trust for a portion of your assets, naming your children and grandchildren as the beneficiaries. You could specify in your Will that the capital and/or income of the trust can only be paid in certain circumstances (for example, when a beneficiary reaches a certain age). These conditions could protect the assets from the children's reckless spending habits, and from their spouse and creditors.

The 2014 Federal Budget eliminated the graduated tax rates that currently apply to testamentary trusts, beginning in 2016, which would reduce the tax benefits of testamentary trusts. Even when these tax benefits are eliminated, the testamentary trust may still be useful as an effective estate planning tool to provide for beneficiaries.

Henson Trusts

In our example, Mary and John have indicated that providing for Lee is a priority for them. Depending on their province of residence, an option for them may be a Henson Trust, with Lee named the beneficiary.

For the trust to be effective, the trustees must have absolute discretion to distribute income and capital from the trust as they see fit. They must also have absolute discretion to withhold the income and capital. The beneficiary of a Henson Trust gains no vested right to the income or capital under the trust.

John could ensure Lee is provided for by transferring assets to a Henson Trust created in his Will. Assuming the trustee has absolute discretion of distribution, Lee may still be able to receive provincial disability support payments despite being a beneficiary of a trust with a large amount of assets.

Dave could be named as a trustee and could make withdrawals as needed to fund Lee's medical treatment, education and living expenses. Any income from this trust that is distributed to Lee would be subject to his marginal tax rate.

Until Death Do Us Part – Appendix

Annuities

An annuity helps solve many of the problems that arise when leaving assets to heirs. During your lifetime or at your death, you could use your assets to buy your children or grandchildren annuities, providing a guaranteed income stream for life. Annuities ensure a gift or inheritance is not mismanaged, and is protected from marital and creditor claims. Premature death is a significant risk related to an annuity, and life insurance is an effective way to hedge this risk.

Endnotes

1 For more information on intestacy laws, ask your RBC advisor for a copy of the RBC Wills and Will Planning publication.

2 The case of Edell v. Sitzer, 55 O.R. (3d) 198 provides a concise summary regarding mutual Wills. The court noted:

Where the requirements for the application of the doctrine are satisfied, the survivor will not be permitted to defeat the agreement by revoking his or her Will after the death of the other. This result is achieved by the imposition of a constructive trust on the survivor's estate for the benefit of those who were intended to benefit under the agreement. The fundamental prerequisite for the doctrine is that there is an agreement. The agreement must satisfy the requirements for a binding contract.

3 Not applicable in Quebec.

4 For more information on Estate Planning for Blended Families please ask your RBC advisor for RBC Perspectives Magazine Volume 2, Issue 1 to review the article titled "Estate Planning for Blended Families."

5 The 2014 Federal Budget proposes to provide more flexibility in the tax treatment of charitable donations made in the context of a death.

6 Ask your RBC advisor for more information on the RBC Charitable Gift Program.

7 For more information, ask your RBC advisor for a copy of the RBC Family Inventory publication.

8 For more information on Business Owner planning, ask your RBC advisor for a copy of the RBC Perspectives Magazine Special Business Owner Edition, Volume 1, Issue 3.

9 Visit our website at http://www.rbcwealthmanagement.com/estateandtrust/_assets-custom/pdf/41842ExecutorChecklist.pdf to review the executor checklist.

10 For a copy of RBC Executor's Kit and Estate Settlement Guide, ask your RBC advisor or visit our website at http://www.rbcwealthmanagement.com/estateandtrust/

11 For more information on RBC's Agent for Executor Services, visit our website at http://www.rbcwealthmanagement.com/estateandtrust/estate-services.html

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