**Please join us for a special free *seminar* on:**

# Family Farm Succession

- Selling options & implications
- Financing your succession plans
- Structuring farm holdings for the future

Special Guest Speakers:
**Rick Squires, CLU, CHFC, TEP**
RBC Estate Planning Specialist

**Kevin Hazzard, BA, CFP, CIM**
Investment Advisor
RBC Dominion Securities

| **PARKHILL, ON** | **DRESDEN, ON** |
|---|---|
| **Date:**<br>**Tuesday, March 29th, 2016** | **Date:**<br>**Tuesday, April 5th, 2016** |
| **Place:**<br>**North Middlesex District Arena, 256 McLeod Street, Parkhill, ON** | **Place:**<br>**Dresden Legion Hall**<br>**180 St. George Street**<br>**Dresden, ON** |
| **Time: 1:00pm** | **Time: 2:00pm** |

*Light refreshments will be provided. Seating is complimentary, but limited.* ***Please RSVP with Michelle at 519-337-3316 or michelle.deane@rbc.com***

### Wealth Management Services

- Personal investment advice
- Portfolio management
- Discretionary money management
- Insurance planning
- Financial planning
- Saving for education
- Retirement planning
- Maximizing your retirement income
- Will and estate planning
- Protecting your wealth
- Charitable giving
- Creating a legacy

### Investment Solutions

- Treasury bills and commercial paper
- Guaranteed Investment Certificates (GICs)
- Government and corporate bonds
- Annuities
- Commodity/financial futures
- Income and royalty trusts
- Preferred shares and common stocks
- Mutual funds
- Segregated funds
- Investment pools
- Equity-linked notes



RBC Dominion Securities Inc.

February, 2016

# Just For Farmers

A PUBLICATION FOR THE FARMERS OF LAMBTON, MIDDLESEX AND KENT COUNTIES

**Kevin J. Hazzard, BA, CFP, CIM**
Investment Advisor
519-337-3740
kevin.hazzard@rbc.com

**Michelle Deane**
Assistant
519-337-3316
michelle.deane@rbc.com

RBC Dominion Securities Inc.
340 North Front Street
Sarnia, ON N7T 7L1
Fax: 519-337-3775
Toll Free: 1-800-4653374
www.rbcds.com/kevin.hazzard

*Specializing in the investment, retirement and estate planning needs of local farmers since 1995.*

## Opening Notes…

Welcome to our sixth issue of "Just for Farmers". Having started as an Investment Advisor with Richardson Greenshields of Canada in 1995, I have witnessed many changes over the years in our business. Though investment management continues to be the core of what we do, I am also spending an equivalent amount of time on financial planning, in particular, planning needs of farmers.

If your current investment or financial advisor is not offering you access to expertise that can ensure that the financial goals and needs of your family are being met, particularly around the area of succession, we should sit down and talk.

RBC Dominion is truly leading the way in this area and offers our clients access to an unparalleled team of lawyers, business valuators, accountants and estate planning specialists.

**Farm Succession seminars**

Our farm succession presentations have been very well attended over the past couple of years. We are varying our locations this time to **Parkhill** and **Dresden**. Please join us in Parkhill on **Tuesday, March 29th** or in Dresden on **Tuesday, April 5th** for our next farm succession presentations featuring myself and Rick Squires, our RBC Estate Planning Specialist. See back page for more details.

| **Handy 2016 Financial Planning Facts** | |
|---|---|
| **Lifetime Capital Gains Exemption** | $1,000,000 for 2016 |
| **Maximum 2016 CPP Benefit at 65** | $1,092.50 per month |
| **Maximum 2016 CPP Benefit at 60** | $699.20 per month |
| **Maximum 2016 CPP Benefit at 70** | $1,551.35 per month |
| **Maximum OAS Benefit for Q1** | $570.52 per month |
| **OAS clawback rate** | $0.15 for every $1 of net income above $73,756. Fully eliminated at $119,398 |
| **RRSP Max annual deduction limit** | $24,930 for 2015<br>$25,370 for 2016 |
| **TFSA Annual Contribution room as at Jan 1st** | $5,500 for 2016<br>$46,500 total from 2009-2016 |

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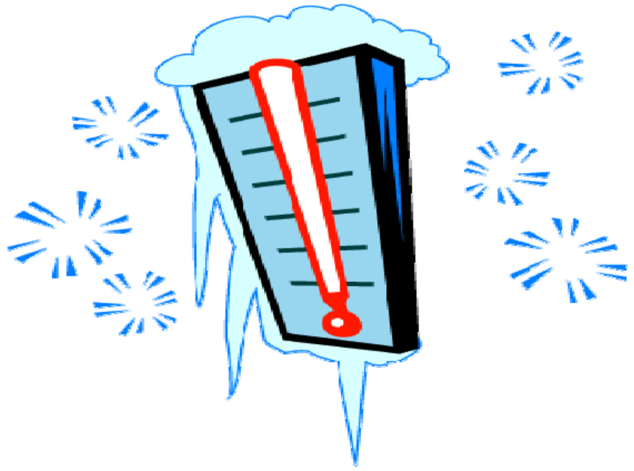
Dominion Securities



## Estate Freezes Involving Farm Corporations

There may be situations where you want your children to participate in the operation and growth of your family farm corporation, but they may be too inexperienced to run a farm. In such a scenario, one potential solution is for you to implement an estate freeze. An estate freeze is the term commonly given to a transaction where you lock-in or "freeze" the value of appreciating assets and transfer the future growth of the assets to other individuals, usually family members. You implement an estate freeze by exchanging property that is likely to grow in value for other property that has no growth potential.

For example, let's assume you have accumulated sufficient wealth such that you no longer require additional growth from your family farm corporation and your young adult children are interested in participating in the future growth of the farm. If you simply transfer the family farm corporation shares to them, your children will become the controlling shareholders. You may not want this to occur if they are not ready to fully operate the farm on their own. You have the option, instead, of exchanging your common shares of the family farm corporation for preferred shares with voting rights and a redemption value equal to the fair market value of the company. Your children can then subscribe for non-voting common shares at a nominal value. By reorganizing your family farm corporation this way, your children can participate in any future growth in the value of the farm business while voting control remains with you. This strategy also enables you to use your capital gain exemption on the exchange of the common shares.

For more information on estate freezes and the advantages of this strategy, please request a copy of the RBC Dominion article "Estate Freeze".

## Alternative Minimum Tax (AMT) and the Capital Reserve strategy

Under Canadian tax law, you are required to calculate your tax liability using two tax calculation methods, the regular and the AMT method, and to pay the higher of the two amounts calculated. If you transfer your farm to your child and trigger a capital gain in order to use your capital gain exemption, you may be subject to taxation under the AMT rules. Depending on the province where you live, this could trigger taxes payable of approximately $40,000 even if you apply your full lifetime capital gain exemption.

You may be able to use the **capital gain reserve strategy** to minimize AMT. This strategy allows you to defer capital gain on the disposal of your property and spread the tax liability over a number of years. Generally, the maximum period over which a reserve can be claimed is five years. However, a ten year reserve period is provided for the transfer of family farm property to a child. This strategy allows you to structure the transfer of the farming assets to your children over a ten year period and recognize only 1/10th of the capital gain each year for the ten years. This will allow you to spread the gain over a ten year period which may reduce or eliminate the impact of AMT.

*For a **complimentary review** of your investment portfolio together with a discussion of your financial plan or farm succession plan, please contact us to schedule an appointment with Kevin and/or Rick Squires, our RBC Estate Planning Specialist.*
***To schedule, contact Michelle at 519-337-3316 or michelle.deane@rbc.com.***



## Family Wealth Management – 10 strategies to build & protect family wealth *(*full report available upon request – lots of good information)*

Most Canadians don't consider themselves to be "wealthy" – even when they have a relatively high net worth and own million-dollar investment portfolios or assets. Regardless of how you view your financial status, there are some unique financial planning issues and strategies that you should consider when you have $1 million or more in investment assets. Below we highlight 10 strategies that can help you protect your assets, reduce taxes, plan for retirement and maximize your estate.

- **Strategy 1: Comprehensive Financial Planning** – If you have $1 million or more in farm or investment assets, your situation is more complex than the average Canadian. A comprehensive financial plan brings clarity to your situation.
- **Strategy 2: Consolidation of Assets** – Diversification is one of the golden rules of investing to reduce risk. It is important to recognize that diversification is really about how you invest your money – not where you keep it. Consolidation of your assets simplifies your financial life and likely reduces your costs.
- **Strategy 3: Financial Education for Children** – When it comes to raising your children, affluenza is a concern shared by many parents. This term is used to describe a parent's concern that raising children in a privileged environment could give them a distorted sense of value and makes them less motivated to work hard and build their own financial resources. A solid financial education is a key part of every child's successful future.
- **Strategy 4: Effective Use of Surplus Assets** – If your financial plan determines that you have adequate income and assets to meet your retirement needs, you may want to consider ways to protect these assets from high taxes and other potential liabilities. Examples include lifetime gifts and trust planning, tax-exempt life insurance policies, and charitable giving strategies.
- **Strategy 5: Risk Management** – A key part of financial planning is to review potential risks. When it comes to protecting your wealth, there are three primary risks that you should plan for – unforeseen liabilities, market downturns, and potential income loss.
- **Strategy 6: Vacation Home Planning** – Many wealthy families own a vacation property. Proper planning around succession is important to maintain family harmony. If your vacation property is in the U.S., there are additional and significant factors that must be considered and planned for.
- **Strategy 7: Charitable Giving** - There are a number of different options that can help you give to your favourite charity, while at the same time providing some tax relief. Examples include donating securities in-kind, establishing a charitable foundation and others.
- **Strategy 8: Testamentary Trusts** – For families concerned about intergenerational wealth transfer, an updated Will with a testamentary trust provision is an indispensable tool. A testamentary trust is a type of trust established through your Will that enables you to give assets to your beneficiaries with certain conditions that you have specified.
- **Strategy 9: Family Income Splitting** – Your family's overall income tax bill can be reduced through the effective use of income-splitting strategies such as the Spousal Loan Strategy, a prescribed rate loan to a Family Trust, Spousal RRSPs and pension income splitting.
- **Strategy 10: Business Succession Planning** – Some common financial planning strategies within a business succession plan include a comprehensive financial plan, estate freezes, shareholder agreements, and the use of life insurance. There are additional strategies specific to farm succession.

***Capital Gains Exemption***

*For sales of qualified farms occurring after April 20th, 2015, the 2015 federal budget increased the lifetime capital gains exemption to $1,000,000 with no indexing.*