

# Investment News & Views



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## Seven Resolutions to Improve Your Finances in 2015

Making smarter financial decisions is one of the most popular resolutions we make at the New Year. Here are 7 things you can do to help build and protect your family's financial security in 2015.

### **1. Simplify Your Financial Life -Consolidate Accounts**

Some people, over time, open many accounts at several different financial institutions, resulting in additional administration, multiple monthly statements, multiple meetings with different advisors, duplication of fees and duplication of investments. Consider the benefits of consolidating your accounts at a single financial institution that can offer the full range of services you require.

### **Bank Online**

Make arrangements to view your financial accounts online, transfer funds and pay bills from the convenience of your computer.

### **Pre-authorize Bill Payments and Electronic Fund Transfers**

Save time and shorten your to-do list by setting up automatic bill payments online. You can also save time by setting up regular transfers from your investment account into your bank account. This saves you the extra step of cashing a cheque, and reduces worry about lost cheques or mail service delays.

### **Pay Yourself First**

One of the best financial tips of all is to save through a Pre-Authorized Contribution (PAC) plan. You can set up a PAC plan for RRSP, TFSA, RESP and stock savings plan contributions.



**RBC Wealth Management**  
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### **Switch to eDocuments**

Many financial institutions, utilities, and phone and cable companies offer this feature to reduce your paperwork and help the environment. Ask your advisor about switching to eDocuments for your RBC® accounts.

### **Keep a Binder with All Your Financial Documents**

This could include things like financial statements, tax slips, Family Snapshot® financial planning reports, retirement projection, your Will, Power of Attorney and so on. Keep it in a safe place like a fireproof lockbox.

## **2. Save Taxes with Family Income-Splitting Strategies**

With Canada's graduated tax rates, the more you earn, the higher your tax rate. If you're a high-income earner, you may be able to reduce your family's overall taxes by transferring some of your income to lower-income family members, who are taxed at a lower rate. Here are some key income-splitting strategies:

### **Prescribed Rate Loan Strategy**

With this strategy, you loan money to a low-income family member, who uses the money to invest. Generally, as long as the family member pays you at least the CRA prescribed rate of interest, the investment income is taxable to them, not you, at their lower rate.

### **Tax-Free Savings Account (TFSA)**

You can essentially transfer income that otherwise may have been taxable at your higher rate by gifting money to family members aged 18+ to contribute to their TFSAs. All the investment income earned in your family's TFSAs grows tax-free. It is not taxed back to you, even though you provided funds for their contributions.

### **Family Trust**

You can provide for children under the age of 18 tax-efficiently through a properly structured family trust. The capital gains income earned on assets held in a family trust is taxable to your children or grandchildren at their lower tax rate, when used for their benefit. If you loan money to the family trust at the CRA's prescribed rate, each child can potentially earn up to \$10,000 interest income, \$20,000 capital gains or \$30,000+ of Canadian eligible dividend income tax-free annually from the trust (varies by province). Speak to a tax and/or legal advisor to determine if this strategy makes sense for you.

### **Business Restructuring**

By adding lower-income adult family members (excluding spouses) as shareholders of your business (directly or through a family trust), you can pay them dividends that are taxable at their lower rates. In addition, your family members could potentially each use the \$800,000 capital gains exemption should you sell the business.

## **3. Reduce Risk and Taxes by Reviewing the Asset Mix in Your Investment Portfolio**

How you allocate your portfolio assets among the different asset classes (stocks, bonds and cash) is a key factor in determining your after-tax investment returns and level of risk. Everyone has an ideal asset mix based on factors such as return objectives, income needs and risk tolerance. Make sure you review your asset mix with us regularly to address changing market conditions and whenever there's a significant change in your personal situation.

- Because interest is fully taxable, consider holding more of your interest-bearing investments in your RRSP/RRIF, where the taxes are deferred.
- Because capital gains and Canadian dividends receive preferential tax treatment, you can hold more of your equity investments outside your RRSP/RRIF.
- Hold Canadian dividend-paying investments in an individual non-registered account instead of a holdco, where dividends are generally taxed higher.

Speak to us about sheltering surplus assets that would otherwise be exposed to your high tax rate in a tax-exempt life insurance policy.

## **4. Protect Your Family's Financial Future with Adequate Insurance**

We've all heard the horror stories about people who didn't have adequate insurance when tragedy struck. But we still tend to procrastinate when it comes to insurance. We also tend to think we're better covered than we actually are. Resolve this year to make sure you are adequately covered to protect yourself and family. Speak us about the type of protection that's right for your family.

### **Life Insurance**

Are you really confident that if you passed away, your family would have adequate financial resources to maintain their standard of living? If the answer is "No," or "I don't know," or even "I think so," then don't procrastinate. Speak to an insurance advisor about getting a personal insurance analysis right away. It doesn't take long and you will feel peace of mind knowing that your family is protected.

## **Living Benefits**

There is a strong chance that, at some point in your life, you or a family member will face a serious illness or disability that causes financial strain. To help reduce this strain, you can purchase living benefits insurance including disability, critical illness and long term care insurance.

## **Business Insurance**

If you are a business owner, you may not be part of a group insurance plan, so make sure you have adequate personal insurance, as discussed above. In addition, insurance can serve many other purposes for business owners, such as paying for large taxes at death on business shares, funding buy/sell agreements, equalizing inheritances for children not in the business, transferring surplus cash in a holding company to the next generation on a tax-free basis, and more.

## **5. Ensure Your Wishes are Followed with an Up-To-Date Will and Power of Attorney (POA)**

A recent study by LAWPRO revealed that 56% of Canadians do not have a signed Will.<sup>1</sup> Even among those that do, many have out-of-date Wills that do not reflect their current wishes or family situation. What's more, many have "simple" Wills that can result in higher taxes and family disharmony.

- Give your family and yourself peace of mind by booking an appointment with a legal advisor who specializes in estate planning to get an up-to-date, tax-efficient Will.
- For clients with more complex estates, we offer complimentary consultations with our own Will and Estate Consultant, who can draft an action plan that you can take to your legal advisor to implement. Please ask us if this service is appropriate for you.
- Don't forget the importance of having a Power of Attorney (POA, or Mandate in Quebec) for both medical and financial affairs. There is a higher probability of becoming disabled than dying before age 65, so having a POA is critical.
- Consider having a copy of your Will and POA in a fireproof safe that your executor would be able to access, or with your legal advisor.

## **6. Ensure Your Wishes Are Followed with Appropriate Account Structure and Beneficiary Designations**

List every one of your accounts including any accounts through your employer (employer pension, stock savings plan, etc.) and ask yourself these two questions: "How this account is legally owned?" and "Who is the beneficiary?"

When considering the legal ownership of an account, bear in mind that joint ownership with your spouse may reduce the amount of probate tax payable on death in some provinces. However, joint ownership may not always be appropriate. For example, if you are in a second marriage and have children from a first marriage, you may not want joint ownership with your second spouse as they would be under no obligation to provide your children with an inheritance. In addition, joint ownership with adult children should be consistent with your estate distribution intentions; otherwise it may be challenged in court.

Next, look at any accounts that permit beneficiary designations such as pension plans, RRSPs/RRIFs, TFSAs and insurance policies. Are these beneficiary designations current? Should you even name a beneficiary? Rather than having your assets go directly to a family member after your death, it may be more appropriate to have them go through your estate in certain situations, even though probate tax is payable.

The appropriateness of your account structures and beneficiary designations will depend largely on how you intend to have your estate distributed, so speak to your legal advisor for advice as you are getting your Will updated.

## **7. Get a Family Snapshot® or Financial Plan Prepared**

It's the million-dollar question: "Will I have enough to retire comfortably?" You may already have significant savings through an RRSP and/or accompany pension plan, and seem on track to your retirement goals. But with today's longer lifespans, inflation, taxes, health-care costs and lifestyle expectations, you may need more than you think. And if you're a business owner, you may have other considerations like converting the equity in your business into a satisfying retirement income.

A Family Snapshot® summarizes your financial life in one document, making it simple for you to understand where you stand now and, with annual updates, how you are progressing from year to year. It provides a quick retirement and insurance projection, as well as a Wealth Management Opportunities Report of tax, estate and retirement planning strategies specifically applicable to your family. But if you have a higher net worth and your situation is more complicated, then speak to us about getting a COMPASS comprehensive financial plan. A COMPASS comprehensive financial plan addresses all aspects of your financial affairs, including cash and debt management, tax and investment planning, risk management and retirement and estate planning.

## Bits & Pieces...

**RRSP**- Maximum contribution limit for 2014 is \$24,270. Deadline is March 2<sup>nd</sup> 2015.

**TFSA** – Maximum contribution for 2014 is \$5500. Maximum plan contributions \$36,500.

**2014 Tax Packages & RRSP contribution slips** - You should have received your RRSP contribution slips for 2014 contributions. Any deposits made in Jan – March 2015 will trigger a contribution slip to be mailed out the following week. Tax packages should be flowing out to all of you by now and will continue throughout the month of March. Please read them carefully as there may be further tax slips to follow that are being delayed. If so, they will be listed in your package. Should you have any inquiries, please contact Monika at 780-493-7729. My website is also a great resource for tax information.

**Information & Resources** – If anyone is looking for market commentaries or other publications of interest, be sure to check out my website [www.sharonmcminn.com](http://www.sharonmcminn.com). Our goal is to keep the information current and make the website a useful tool for clients.



### Winter Vacation

*Sharon will be away from March 2<sup>nd</sup> – 13<sup>th</sup>. In my absence, Andrew King will be available to assist you. Don't hesitate to call him at 780-493-9204*

### **Until Next time...Sharon, Andrew & Monika**

*Life is short, Break the Rules.  
Forgive quickly, Kiss SLOWLY.  
Love truly. Laugh uncontrollably  
And never regret ANYTHING  
That makes you smile.*

**... Mark Twain**

## **Sharon's Bonnyville & St. Paul Schedule**

Thursday March 26<sup>th</sup> afternoon  
Friday March 27<sup>th</sup> all day  
Thursday April 9<sup>th</sup> afternoon  
Friday April 10<sup>th</sup> all day  
Thursday April 23<sup>rd</sup> afternoon  
Friday April 24<sup>th</sup> all day  
Thursday May 7<sup>th</sup> afternoon  
Friday May 8<sup>th</sup> all day  
Thursday May 21<sup>st</sup> afternoon  
Friday May 22<sup>nd</sup> all day  
Thursday June 4<sup>th</sup> afternoon  
Friday June 5<sup>th</sup> all day

This schedule is subject to change without notice. Please contact our office to book your appointment.

### **GIC Rates As Of March 6, 2015**

1 yr 1.52%	4 yr 1.90%
2 yr 1.76%	5 yr 2.11%
3 yr 1.85%	

Rates are subject to change without notice

Congratulations to our Administrative Associate, **Monika Laskowski**, on her upcoming Wedding on March 21<sup>st</sup> to **Chris Stoicescu**, in Cancun, Mexico. She does plan on changing her last name to Monika Stoicescu. (I'm already practicing that one) We wish her a wonderful day and lifetime of sweet love...



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