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Testamentary Spousal Trusts

Every family situation is unique and every estate plan should be customized to reflect this. When planning for estate matters there are many different tools that are available, each with its own benefits and drawbacks. One tool, the testamentary spousal trust, has the ability to defer and reduce tax, minimize the financial burden on the surviving spouse and ensure that the assets pass to the next generation as intended. Its relative ease to set up makes this a preferred tool for many estate plans.

A testamentary spousal trust is a trust that is established for the benefit of the surviving spouse through provisions in the Will of the deceased spouse. This structure allows a deferral of the capital gains tax consequences upon death. The surviving spouse can benefit from the assets during the balance of their lives while ensuring that the remaining capital will flow through to the next generation as intended by the will.

Potential Tax Savings

Property transferred to a testamentary spousal trust is transferred on a tax-deferred basis. That means that a testamentary trust is treated as a separate taxpayer and its income is taxed at graduated tax rates, which means that the surviving spouse can take advantage of the lower tax brackets twice (personally and through the testamentary spousal trust).

For these reasons, using a testamentary spousal trust instead of making an outright rollover of assets to your spouse upon death will allow for income splitting and a reduction of your surviving spouse's overall tax burden.



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Other reasons to consider a spousal trust

Second Marriages: Second marriages add an additional level of complication to estate planning, especially if the parties have children from previous marriages. A spousal trust is one strategy amongst many that may be useful in a second marriage scenario. You wish to provide for your second spouse, but on his or her death you want your assets to go to your children from your first marriage. If the assets are given to your second spouse outright then, on that death the assets would form part of that estate and end up in the hands of a surviving spouse or children by another marriage.

Spouse lacks financial expertise: In many cases one individual in a marriage makes the majority of the financial decisions. In the event that the primary financial decision maker should die there may be some concern that the surviving spouse would have difficulty managing the family's wealth. To alleviate the additional burden and stress a spousal trust may be an appropriate consideration as a trustee will be charged with managing the assets while the spouse simply receives the benefit.

Finally

A testamentary spousal trust can be a powerful estate planning tool that can help satisfy a number of different goals, from tax savings to asset preservation. When reviewing your estate plan be sure to consider this as one option. We are more than happy to discuss these opportunities in more detail so don't hesitate to contact either Brad or Chris for further information.



Professional Wealth Management Since 1901



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2012 Tax Strategies- Flow-Through Limited Partnerships

As Canadians we have relatively few options to minimize our tax burdens. One of the few that has stood the test of time are flow through resource shares.

Most individuals are aware of the tax savings offered by RRSP's, unfortunately the government limits the amount that can be contributed annually which poses a significant problem for higher income earners such as medical professionals.

As a matter of tax policy, resource flow-through shares have been included in the Income Tax Act to provide resource companies with an attractive method of raising funds for resource exploration and development activities.

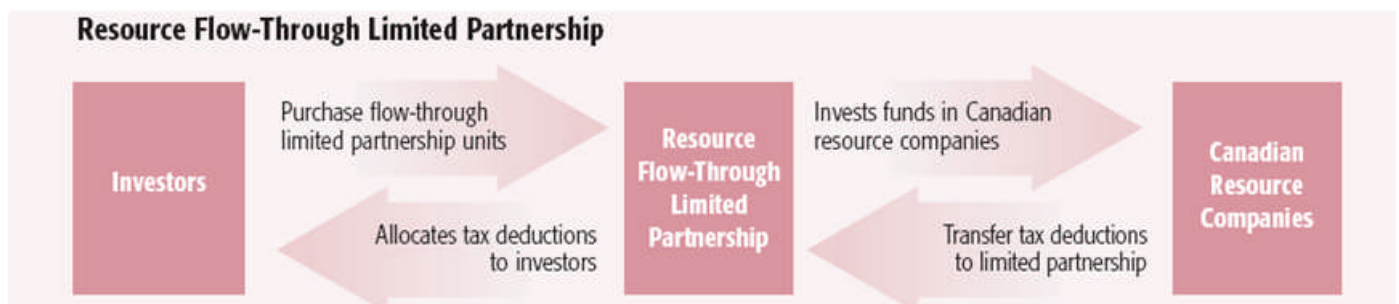
Investing in flow-through limited partnerships can be an valuable tool for tax planning. The chief benefits of investing in flow-through limited partnership units are tax deferral and the ability to derive tax-advantaged returns in the form of capital gains. They can be used to manage recurring employment income tax expense or can also be used to offset one time tax liabilities from the disposition of assets such as real estate or stock gains.

Generally 90-100% of the flow through investment is tax deductible in the year of purchase, with the balance deductible the next year.

- \$10,000 purchase of flow-through shares
- \$10,000 deduction from taxable income
- \$4,640 of tax saved assuming the top marginal tax bracket for an investor in Ontario
- \$5,360 becomes the actual capital at risk
- \$0 is the adjusted cost base (tax cost) of the investment after the tax deduction has been claimed

Most flow through offerings are available in early January and sell out within a few days, such is the demand for tax deductible investments. Investors are well advised to be prepared the first week of January if they wish to capitalize on this opportunity. Consult your tax professional before purchasing a flow through investment to be sure that it is appropriate based on your particular tax situation.

If you'd like to be placed on our notification list for these shares when they first become available please let either Brad or Chris know.



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Canadian Sector Performance	YTD	2010
Energy	-20.7%	10.0%
Materials	-18.1%	35.8%
Industrials	-10.9%	14.4%
Consumer Discretionary	-17.7%	21.8%
Consumer Staples	2.4%	8.3%
Health Care	30.3%	50.3%
Financials	-6.7%	6.3%
Information Technology	-43.8%	-4.7%
Telecommunication Services	9.6%	16.2%
Utilities	1.8%	12.6%

Number Crunching

Year to date performance as of Sep 30th, 2011 of select currency and equity indices. All returns are in local currencies.

Equity Indices	YTD	2010
S&P/TSX Composite Index Total Return	-13.5%	17.6%
Dow Jones Industrial Average	-5.7%	11.0%
S&P 500 Index	-10.0%	12.8%
NASDAQ Composite Index	-9.0%	9.6%
MSCI EAFE	-15.4%	4.9%
Currencies (in Cdn \$)	YTD	2010
US Dollar	5.2%	-5.2%
Euro	5.2%	-11.5%

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E-Newsletter!

We are pleased to now offer our quarterly newsletter in electronic format. If you would prefer this method of delivery please email us at chris.emms@rbc.com.



Source: RBC Dominion Securities

Tax Planning Update:

2011 RRSP Contribution Limit: 18% of earned income to a maximum of \$22,450

Flow-through investments may not be suitable for all investors. Please read the prospectus before investing. Past performance may not be repeated and there is no guarantee of a return on your initial investment. The specific amount of tax credits will depend on the individual's province of residence. This material does not constitute an offer to sell or a solicitation to buy any security. This information is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. ®Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion S®Registered trademark of Royal Bank of Canada. Used under licence. RBC Wealth Management is a registered trademark of Royal Bank of Canada. Used under licence. ©Copyright 2011. All rights reserved.

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