

FEREBEE WEALTH MANAGEMENT

Spring / Summer 2014 Newsletter



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Spring is here and the weather is getting warm. Jon and I had our first camping trip of the year the first weekend of April. We went to Omak so that we could do a little shopping for the trailer and pick up a few things we needed for our new camping year.

With technology running away on us, there are a lot of attempts by fraudulent people to get your information. I wanted to share a couple of important points for you to note

- If you ever get a call from Royal Bank about your accounts or Visa, the number 769-25 will always be part of their phone number. For example if you get a phone call from 1-800-769-2525 that is Royal Bank calling you (the word ROYAL will always be part of their number) Never give your account information over the phone, always if you feel uncomfortable talking about your banking, visit your local branch.
- Be cautious in your online activity, especially when using unsecured/free wireless internet in public locations and when accessing sites with sensitive information, such as online banking. Make sure your home Wi-Fi connection is secured with a password
- Verify a message before you take any other action, such as clicking on a link or initiating a transaction. Don't click on any links or open files in emails from people you don't recognize. This could expose your computer to a virus.
- Always use encryption when sending confidential information by email, and never store sensitive data about yourself in your email folders. Even encrypted emails can be hacked.
- After looking at sensitive information such as online banking always remember to delete your browsing history. To do this go to Tools – Internet options – Delete browsing history.

IF YOU SUSPECT YOU ARE A VICTIM OF FRAUD OR THEFT, CONTACT THE AUTHORITIES IMMEDIATELY.



RBC Wealth Management
Dominion Securities

TESTAMENTARY TRUST VS OUTRIGHT INHERITANCE

TESTAMENTARY TRUSTS

For families concerned about intergenerational wealth transfer, a testamentary trust 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, while providing them with income tax advantages.

In a trust, you specify an amount of money or other property to be held for a specified period for beneficiaries you have identified and on the terms directed by you. For example, you may wish to leave your children a portion of your estate, but you may feel that they should not receive their inheritance until they are old enough to manage it responsibly. Through your Will you would direct your chosen trustees to hold and invest the inheritance in a trust for your children until they reach the age that you have specified. Alternatively, you can give your trustee full discretion on the amount and timing of trust distributions to the beneficiaries.

Testamentary trusts are generally created with assets passing through one's estate. Therefore, probate taxes (negligible in Alberta and Quebec) will likely have to be paid. However, there will be no probate tax for a properly structured testamentary trust funded with insurance proceeds.

TESTAMENTARY TRUST VS. OUTRIGHT INHERITANCE

One of the major benefits of establishing a testamentary trust is the annual income tax savings for the surviving beneficiaries. These income tax benefits are not available to beneficiaries who receive outright inheritances. Taxable income earned in a testamentary trust can be subject to the same graduated tax rates as an individual taxpayer and then paid out after tax to the beneficiary.

Since the income earned within a testamentary trust can be taxed on a separate tax return at graduated tax rates (although the basic exemption is not allowed), an income-splitting opportunity arises for each beneficiary.

Assume an adult child is in the top marginal tax bracket of approximately 46% (varies by province). Upon the parent's death, this child is expected to receive an outright inheritance of approximately \$500,000. Further assume that this inheritance will be invested by the child and will produce annual taxable income of 5% or \$25,000 per year. The after-tax income earned this way would only be \$13,500 – compared to \$19,000 if the inheritance had been transferred to a testamentary trust and taxed at graduated rates instead.



If you intend to have your assets pass through your estate so they can fund a testamentary trust, then the use of Joint Tenancy with Rights of Survivorship accounts (not applicable in Quebec) may not be appropriate. You may also need to restructure beneficiary designations on registered accounts. Furthermore, if you are a high-income earner and you have elderly parents that you know will be providing you with an inheritance, consider speaking to your parents about the benefits of including a testamentary trust provision in their Will.

NOT JUST TAX BENEFITS

In addition to the tax benefits, there are many reasons why a testamentary trust may be advantageous. A testamentary trust provision in the Will can make sense in the following scenarios:

- > Individuals in second marriages
- > Disabled or minor beneficiaries
- > Parent is concerned about spendthrift beneficiaries
- > Parent is concerned about inheritance being accessed by son- or daughter-in-law
- > U.S. citizens
- > Beneficiaries are high-income earners or will receive a large inheritance

Please note that the 2013 Federal budget announced the government's intention to consult on possible measures to eliminate the tax benefits that arise from taxing testamentary trusts and estates at graduated rates. You should speak with a professional tax advisor prior to implementing any testamentary trust planning.

This article is based on the RBC Dominion Securities guidebook, Family Wealth Management – Ten Strategies to Build and Protect Your Family's Wealth. Please contact us at 250-770-1204 for a complimentary copy.

RECREATIONAL PROPERTY COST

It is not unusual for purchasers of a new recreational property to spend thousands of dollars on renovations and upgrades to their new, prized possession. It is important to keep track of any such costs because, unlike your home, a recreational property is usually not eligible for tax free treatment when it is sold. Most renovation costs therefore, can be used to reduce the ultimate capital gain and the related income taxes that are due when the property is sold.

Eligible costs exclude regular day to day repairs, but do include any expenditure that will upgrade or improve the property. Sometimes, an expense that would normally be categorized as a repair, such as fixing the roof or painting the walls may be considered an improvement if undertaken as part of the significant renovation project. This is particularly true if the repair/ improvement project is undertaken to allow you to earn rental income on the property.

Regardless of whether the expenditure is categorized as an expense or as an improvement, keeping track of all out of pocket cost relating to your recreational property is important. Receipts should be retained and a summary of all related costs prepared and kept in a safe place. Other costs such as pre-purchased inspection or appraisal fees, title transfer and legal fees, property purchase taxes and any other cost incurred in order to acquire the property should also be tracked and recorded.

SWITCH TO PAPERLESS E-STATEMENTS TODAY

BENEFITS OF ONLINE BANKING AND E-STATEMENTS

ENHANCED SECURITY

E-statements are 100% official statements- just like your old paper statements. But unlike paper statements, they are only accessible through DS Online, which is protected by your confidential password and the latest 128-bit encryption technology. They can't get lost or damaged.

24/7 ACCESS

Available 24 hours a day, seven days a week, DS Online provides instant access to your current account balances, real time quotes, timely market information, and a consolidated view of all your RBC accounts and much more.

VIEW YOUR STATEMENTS FASTER AND LONGER

E-Statements are generally available before the mailed versions. You can also access archived documents online for up to seven years.

E-STATEMENTS FACTS

If 20% of households were to switch to electronic bills, statements and payments every year the collective impact would be:

- Save 150,939,615 pounds of paper
- Save 1,811,275 trees
- Avoid creating 1,439,601,370 gallons of wastewater
- Avoid filling 8,597,328 household garbage bags with waste
- Avoid filling 6,141 garbage trucks with waste
- Avoid using 105,945,600 gallons of gasoline to mail bills, statements and payments
- Avoid producing 3,920,802,916 pounds of greenhouse gas emissions

SWITCHING IS EASY

If you would like to switch your paper statements to E-statements email Stephanie Frey @ **STEPHANIE.FREY@RBC.COM.**



If you are currently not an active DS online user give us a call and we will provide you with a user ID and password, as well as walk you through all the benefits of online banking.

BACON WRAPED SHRIMP



Ingredients:

Prosciutto ham
Soft goat cheese (garlic flavour if you can find)
Cream Cheese
Large uncooked shrimp
Bacon bits

Directions:

1. Butterfly shrimp: Place the shrimp on the cutting board and then cut almost through the curved back portion of the shrimp. Do not cut all the way through the shrimp. Open the shrimp so that it lays almost flat.
2. In a medium size bowl mix the soft goat cheese, cream cheese and bacon bits together.
3. Spoon the cheese mixture into the middle of each shrimp
4. Close the shrimp together, and wrap with prosciutto ham
5. Broil for 10-15 minutes watching closely turning over half way through

KEY DATES

April 22nd- April 24th Natalie in Vancouver
June 2nd -June 6th Natalie at a Conference
July Dates TBA Natalie in Smithers/ Terrace
August 5th - August 8th Natalie on Holidays
September 1st - September 5th Natalie in Victoria



On a green note if you would like to receive this newsletter by e-mail contact Stephanie.

If you know someone who would like to receive this newsletter contact Stephanie at stephanie.frey@rbc.com or (250)770-1204



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