

Globe Investor

The perils of placing assets into joint names

First, be clear about why you're taking this action; often people won't accomplish what they're hoping to



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I was reminded this past weekend that we all make mistakes. My neighbour, Will, came over with his wife, Stephanie, and son, Jake. "Are you looking forward to school this year, Jake?" I asked. "Sort of," he replied. "Except math. I failed math last year," he said. "That was not a good situation," Will chimed in. Stephanie then turned to Will and said: "Will, you need to stop doing his assignments for him." Later in the afternoon, Will and Stephanie asked me a question about their investments. I wanted to stop them from making more mistakes – this time with their money. Their questions

were common ones. In fact, I've received similar questions from several readers over the past few months. Let me share those questions and some answers today.

My wife and I have separate investment accounts. Can we move them to joint accounts without tax problems?

You won't trigger tax if you move assets of any kind into the name of your spouse. Under our tax law, you're deemed to have sold any assets you transfer to your spouse, at your cost amount (your adjusted cost base – ACB). The result? No tax to pay. But I would ask this question: "Why do you want to put assets into joint names?" It's important to understand this because, often, people won't accomplish what they're hoping to. If you're hoping to save tax dollars, by having your spouse pay some of the tax on the income being earned, you may not accomplish this (more on this in

a minute). If you're hoping to save income tax at the time of death, you don't need to place assets in joint names to accomplish this. As long as your spouse inherits those assets upon your death, they'll transfer tax-free to your spouse (tax could be owing when your spouse passes away). If you're hoping to avoid probate fees upon death, joint ownership will accomplish this, although there are other ways to solve this problem too (a topic for another day). Putting bank accounts into joint names with a spouse can make sense so that, upon the death of one spouse, the other can continue using the account with no delays.

Can I put investments in my husband's name so that he can pay the tax on the income instead of me?

Maybe. First, recognize that the attribution rules will apply. These rules say that, when one spouse transfers assets to the other and the assets generate in-

come from property (interest, dividends, rents, royalties), or capital gains, the income will be attributed back to the spouse who made the transfer. You can avoid the attribution rules by charging the prescribed rate of interest on a loan to your spouse. Your spouse will have to pay that interest no later than Jan. 31 each year for the prior year's interest charge.

Someone said I should put my home in joint names with my children. Is this a good idea?

It's generally a bad idea to put a home or cottage – or other investments for that matter – into joint names with a child. First, you could trigger a taxable event since you'll generally be deemed to have disposed of that portion of your asset at fair market value. Next, when you pass away, any child who is a joint owner, with right of survivorship, will become the owner after you're gone. Are you happy about this? Or is it your inten-

tion that the asset should be shared with more heirs? This can cause fights in a family if your intentions aren't clear. You could also lose control over the asset with a child as an owner, and could subject the asset to the claims of your child's creditors. In the case of a home or cottage, it might be necessary for both you and your child to designate the property as a principal residence for a tax-free sale later. This could be a problem if your child owns another property at the same time. A sale of the property could be partly taxable in this event. Is all of this really worth putting the asset into joint names? To what? Save probate fees? Probate fees can be minimized in other ways. The moral of the story? Get professional advice before transferring assets or placing them into joint names.

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