INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES Volume 1, Issue 1

RBC Wealth Management Canada

PERSPECTIVES

Putting your family in good hands

- Sharing laughter, love and ... taxes?
- Healthy bodies get an A+
- Transitioning your business – plan ahead

RBC Wealth Management®

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From the Desk of the CEO

Welcome to the inaugural issue of RBC Wealth Management Perspectives.

When we contemplated creating a magazine for our clients, we wanted to ensure that it was one that provided helpful and unique information regarding the ways in which you can work with your RBC advisor to manage your overall wealth – both now, and for the future. We hope that after reading this issue – and subsequent ones – that you have new ideas to discuss with your RBC advisor and other professionals with whom you work in the stewardship of your wealth.

In this issue, we examine wealth management topics common to many families. The articles are intended to provide information, insight and ideas to help you be successful in caring for your family during your lifetime and as part of your legacy.

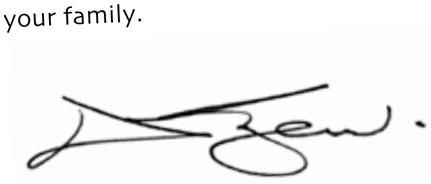
One of the most important aspects of taking care of our families involves teaching our children about the value of money, the importance of wealth and how it can be used most effectively to meet our family's goals. The articles "Making dollars make sense for children" and "Sharing laughter, love and …taxes?" can help build this foundation.

Understanding where we stand financially, regardless of our stage in life, is also a key to successful managing of wealth. The article "Gain confidence in your family's financial future" showcases the many ways in which a sound financial plan can provide answers to questions we all have around our financial future.

Sharing the wealth we have accumulated and leaving a lasting legacy is also a priority for many. The following articles identify specific strategies to enable this: from the initial planning stages, "Is your family taking full advantage of the TFSA?"; through the transition of your company, "Transitioning your business – plan ahead for success"; as part of your estate planning, "Maximizing your estate with a wealth transfer strategy"; or even in anticipation of your eventual passing, "Appointing the right executor for your estate."

And our own Tony Maiorino, Vice President and Head, RBC Wealth Management Services, provides a personal look at his own family and how they cope with "Life in the Sandwich Generation."

I encourage you to speak with your RBC Wealth Management advisor about any of the topics covered in these articles and to learn more about RBC's wealth management strategies and how they can work for you and your family.



David Agnew
CEO, RBC Wealth Management Canada

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www.rbcwealthmanagement.com

Email perspectives@rbc.com
for any queries

About RBC Wealth Management

What we do

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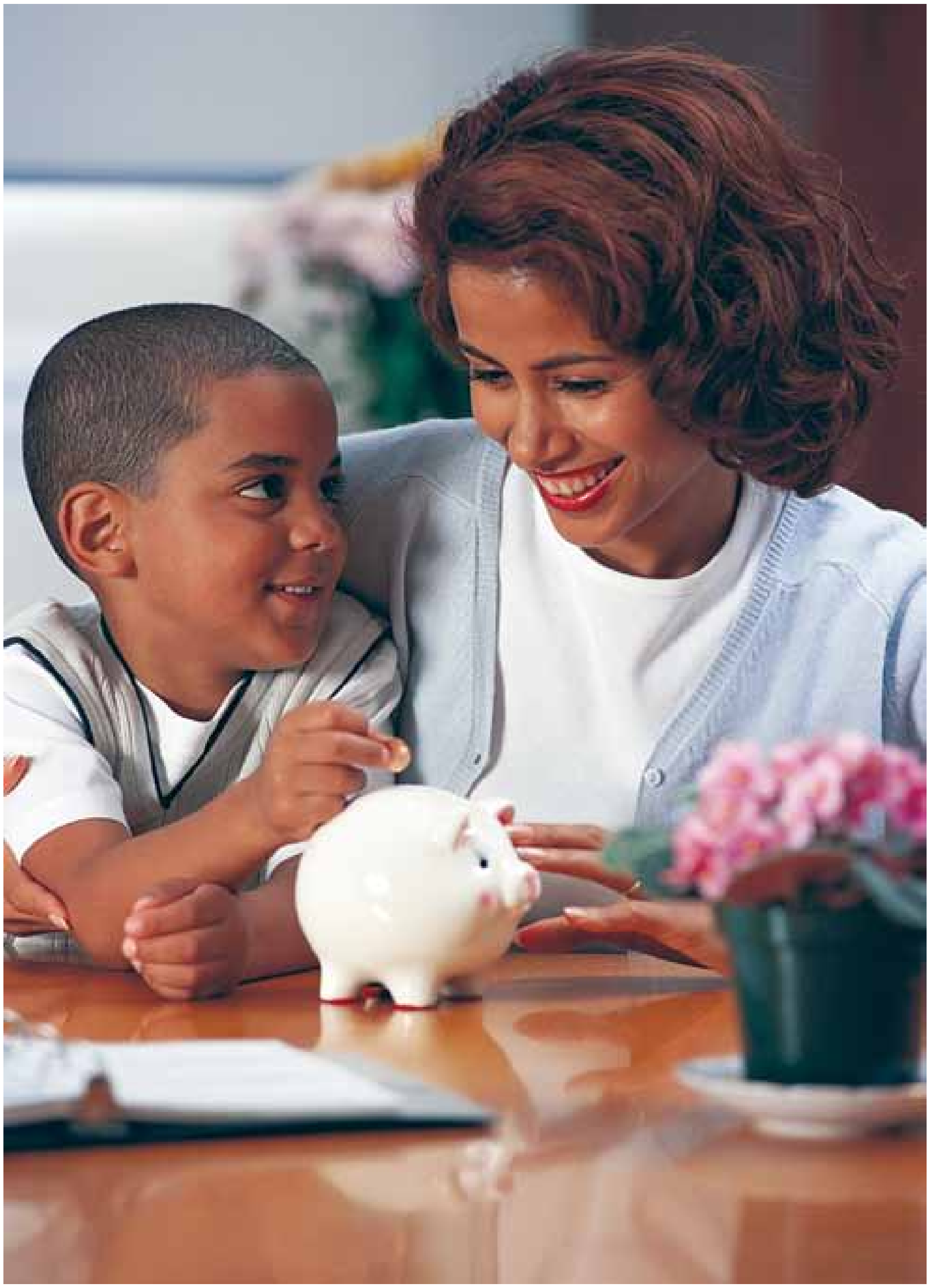
Making dollars make sense for children

Affluenza is a term used to describe a concern shared by high net worth and middle-class families alike. These parents worry that raising children in a privileged environment can give them a distorted sense of the value of money and make them less motivated to work hard to build their own financial resources. They fear that their children won't have an appreciation for the discipline and commitment that is required to generate wealth. There are a number of ways that you can teach your children, beginning from a young age, about the value of money.



Paying your child

There are arguments for and against giving your child an allowance. Some parents consider it a way to help them develop budgeting skills and healthy spending habits. Others feel that it is tantamount to giving them a hand-out and may negatively impact how children value and manage money.

"One alternative is to use the allowance as a learning tool, rather than an entitlement," says Abby Kassar, RBC High Net Worth Planning Services. "A regular allowance can be a valuable way to teach your children about thoughtful spending, saving, investing and even charitable giving. Many families have long-standing relationships with charitable organizations, so don't overlook the opportunity to help your children develop their own philanthropic objectives."

A good rule of thumb for allowances is one dollar per week for each year of age. And, a popular strategy for instilling good money management at an early age is the three S's of money management: spend, share and save. For example, your 12-year-old might get $12 per week to divide as follows:

- **Spend** (or accumulate) four dollars allowance each week. Figuring out how to stretch this amount over the week can help your children develop valuable budgeting skills.
- **Share** four dollars with charitable causes. This can encourage children to develop a social conscience as they decide which organizations and causes to support.
- **Save** four dollars each week for a full year. If you introduce the concept of "paying yourself first" at a young age,

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Establishing a family charitable foundation is one way to instill philanthropic values and money management skills at the same time. Your children can take an active part in determining the best methods for using the funds in the foundation to support charitable causes. They can also work with an advisor to determine strategies on how to invest the foundation's capital to meet the annual disbursement quota.

MAKING DOLLARS MAKE SENSE FOR CHILDREN

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your children can learn to manage their expectations and recognize the value of saving for the future.

"Parents who are skeptical about paying an allowance may prefer to have their children 'earn' their money or receive an allowance in the form of a bonus, in addition to the funds they earn themselves," adds Ms. Kassar.

One way to teach financial literacy is to give children responsibility. Depending on their age and maturity level, this may range from performing tasks around the house for a set fee, managing the funds they earn doing part-time jobs or even setting up a small business. Enterprising children who set up a grass-cutting business can gain awareness of a range of organizational skills from scheduling jobs and setting prices to possibly hiring friends and siblings to assist them. In addition to their financial savvy, it will give them insight into the discipline involved in running a business and maintaining records.

This kind of hands-on education can also extend to learning about credit. Some parents go so far as to play the role of a bank or lender, drawing up a contract and a schedule of payments. This can be an effective way to teach children what it's like to make interest payments and experience what happens if they miss a payment. It can go a long way to helping them understand the value of the item they want to buy. Will they still want it by the time they've paid for it and how badly did they really want it?

Building financial literacy

A popular concept is that financial literacy should be part of a child's education, taught as part of a formal curriculum in a classroom environment. Alongside this is the idea that children may benefit, to an even greater extent, from the real-life experience of handling money and making financial decisions. The practical experience represents a more tangible way of instilling life lessons and may be a catalyst to learning. The key is identifying the method, or combination of methods, that work for your children.

Proponents of the real-life approach argue that while financial literacy courses can teach kids the theory of making responsible investment and financial planning decisions, outside the classroom their decisions are often influenced by emotional factors for which theoretical teaching can't prepare them. One suggested way to help children gain some concrete "real-world" experience is to let them choose and purchase an investment such as a stock or a mutual fund. As a parent, you can help them understand the thought process involved in choosing the investment, guide them through the practical steps to ownership and then analyze the results of their decisions. There's no guarantee the stock they choose will make money, but they will learn tangible lessons, including what it's like to experience a gain or a loss on their investment.

Educating them about money management

Higher net worth families have unique opportunities and face some unique challenges. For example, parents who have above-average financial resources often find it difficult to say no with that old parental standby, "We can't afford it." So how do you teach your children that they don't always get what they want? One solution is to sit down as a family and draw up a monthly or semi-annual budget that includes reasonable activities and purchases for all family members. It allows for input from everyone and provides a forum for discussion so all requests are considered. Then, when your children ask for something that's not part of the plan, you'll have an ironclad answer: "No, that's not in the budget. Maybe we can include it next time."

Irrespective of a family's wealth, many teenagers have part-time jobs. As they start to earn their own income, you can take the opportunity to teach your children how to read and prepare their own financial statements. Preparing their own net worth and cash-flow statements can help them develop budgeting skills and understand what happens to the money they have earned and how it will be taxed. Preparing or reviewing their income tax return is another logical step to taking ownership of the money they earn and becoming financially literate.

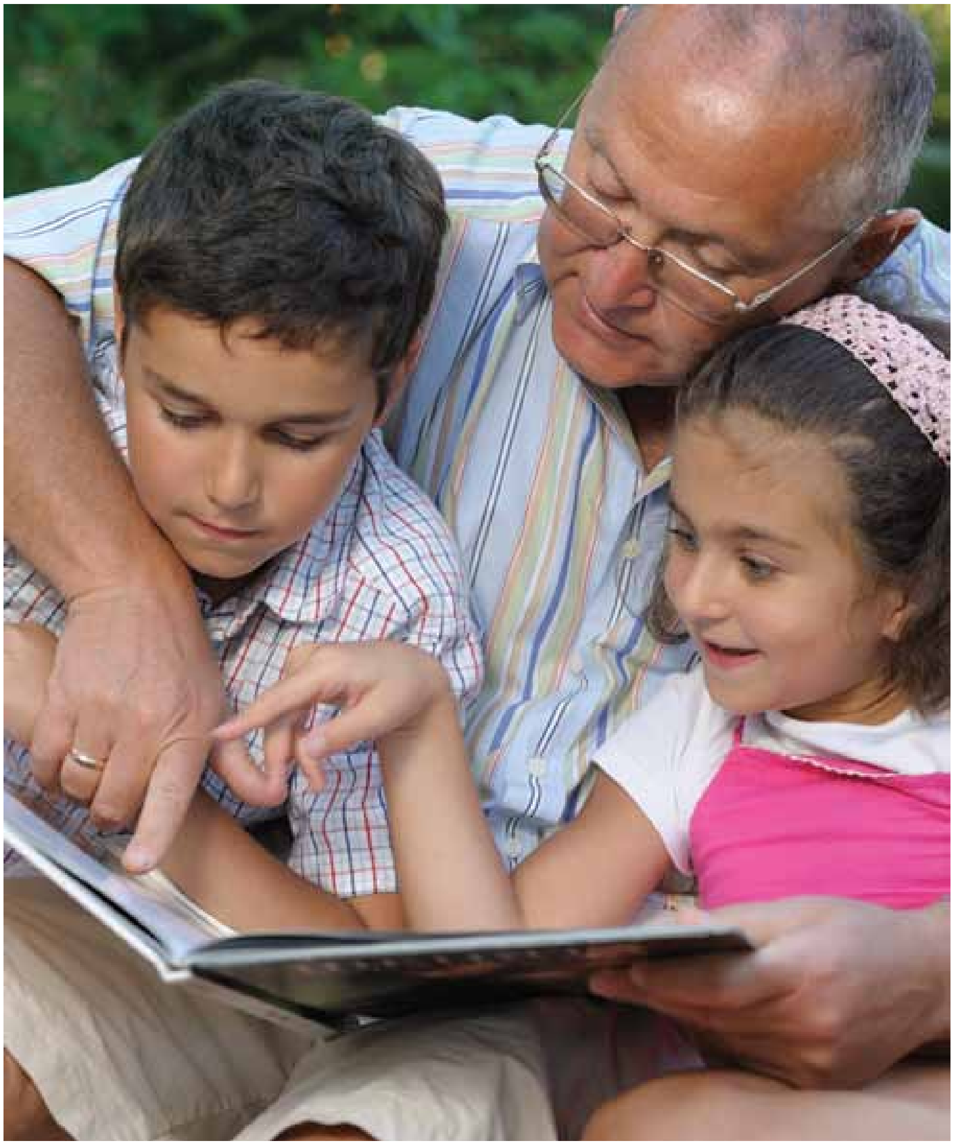
Looking to the future, you may have concerns about giving your children access to a large sum of money, either during your lifetime or after your death. While you are probably aware that there are numerous ways to address this issue and control the eventual distribution of funds, consider involving your children in the discussion. They could meet with a professional advisor to discuss strategies on how to invest their gift or bequest based on their own financial goals. You may even wish to give them the option to spend or reinvest a percentage of the annual income generated by their investment. Taking ownership, within defined parameters, can help build a sense of responsibility and awareness of the terms of a gift or inheritance, even when large sums are involved.

Encouraging self-awareness

All children can benefit from being financially literate, equipped to make practical and responsible financial decisions, and encouraged to try to identify their personal objectives in life. While this is good advice for everyone, in the case of children from high net worth families, whose wealth may provide a greater range of possibilities, these skills can be invaluable. They can help them develop a sense of direction and ultimately better shape their decisions.

If your child's future involves inheriting and managing personal and family assets, there are ways in which you can help them acquire the financial and life skills they will need to deal with this additional responsibility. Some parents start early, teaching children about their family's legacy, helping them gain an understanding from the life experience of family members, close friends and advisors and involving them in philanthropic activities. To understand the value of giving, children can get involved in charitable activities from an early age. Concrete activities such as volunteering and fundraising may be more meaningful for them than simply writing a cheque. ■

Creative finance – for grandparents



As students head to university this fall, many will demonstrate creative money management skills. For example, one student successfully convinced his landlord to include wireless internet access and snow-shovelling in the rent at no extra cost. These savings may not seem significant, but like many cash-strapped students, he's learned that shaving a dollar off the budget here and there allows for life's little luxuries – or at least a night at the campus pub!

While this creative financial management may be an educational "bonus", the real financial payoff of post-secondary education is higher earning potential. Many parents recognize this and want to save for their children's post-secondary education expenses. But with so many demands on household budgets, it is understandable that parents often feel "stretched", financially speaking.

In many cases, the people who are most empathetic to the challenges parents face are grandparents ("Been there, done that!"). If you are a grandparent and you're actively looking for ways to help members of your family, consider a Registered Education Savings Plan (RESP) that names your grandchildren as beneficiaries. An RESP can be an inter-generational strategy through which you can help your family save for the educational expenses of younger generations.

Today's RESPs are more flexible

Like many grandparents you may have overlooked this strategy and you may not know how flexible today's RESP can be. If you haven't looked at these plans for a long time, you may remember that the rules used to be much more restrictive. Today's RESPs have features which may be new to you. These include family plans with multiple beneficiaries in one account, the Canada Education Saving Grant of 20% on the first $2,500 per year for each beneficiary under the age of 18, and the relatively relaxed definition of post-secondary education. This can include part-time studies and even some apprenticeship program costs.

Likewise, you may not realize that investment options within RESPs have also evolved. Innovative solutions like the RBC Target Education Funds are designed to actively manage the asset mix according to a target end date. They offer higher growth potential through appropriate equity exposure in the early years and become more conservative over time. By the target date, the asset allocation is all cash – ensuring that funds are available when the beneficiary needs them. In addition, as the asset mix changes, the Management Expense Ratios (MER) on those portfolios decreases, which can make this an ideal solution for RESPs.

Canadian RESPs are ranked as one of the most generous savings plans worldwide but a recent report suggests that participation in Canadian RESPs is low due to poor awareness and lack of understanding.[1] Statistics show that 93% of parents who have children under 18 want them to achieve a post-secondary education, yet only 35% of children are enrolled in RESPs.

If you are a grandparent looking for ways to help your family, consider the benefits of an RESP. You can help save for the educational expenses of grandchildren or other family members and the matching contributions provided by the Canada Educational Savings Grant can help your gift go even further. RESPs are evolving to meet the changing needs of families and can be a great way to make a meaningful contribution to your family's future. ■

[1] Certified General Accountants Association of Canada (CGA-Canada) report, June 2010.

Gain confidence in your family's financial future

When it comes to investing and financial planning, there are surprisingly few differences between millionaire and average investors. Studies show both wealthy and average investors choose similar investment vehicles such as stocks, bonds and mutual funds, and both rely on past performance and not on highly sophisticated prediction tools in making their choices. However, the key to any successful investing – whether it's hundreds, thousands or millions of dollars – is a comprehensive financial plan.

"The number one thing I can recommend to my clients is to have a financial plan," says Howard Kabot, VP, RBC Financial Planning Services. "Effectively managing and protecting wealth is a challenge for everyone – millionaire or not. Therefore it is critical to have a long-term plan that reflects your personal goals and what you need to achieve them. We work with our clients to develop an individual wealth management strategy that meets their goals, whether that is preserving wealth for their children and grandchildren, or building for a rewarding retirement, or both."

Focusing on your overall financial picture

Focusing on long-term financial security is a significant part of an overall financial plan. A comprehensive plan prepared for you and your family can address all aspects of your financial affairs, including cash and debt management, tax and investment planning, risk management, and retirement and estate planning. It ensures that no aspect of your overall financial picture is overlooked and in doing so, will help identify potential strategies to enhance your family's wealth.

In fact, new research by RBC Wealth Management reveals that the wealth of Canadian millionaires – those with $1 million or more in investable assets – is by and large self-made, with wages and investment gains accounting for the largest source of assets for 25% of those in the study. When asked about the factors critical to their financial success, 60% of Canadian millionaires cited a diligent focus on long-term financial security. A comprehensive financial plan provides that exact focus. It can help to address a range of questions and concerns you may have including:

- Can I retire when I want to and maintain my desired lifestyle in retirement?
- How can I ensure that I don't outlive my money?
- How can I minimize the taxes I pay each year?
- Is my investment mix appropriate?
- If I die unexpectedly, have I provided adequately for my family?
- How can I protect the value of my estate?

The true value of a financial plan lies in the level of customization it offers. A customized, comprehensive financial plan should incorporate an in-depth discovery discussion to identify your goals, aspirations and objectives. The plan should also include a projection of your financial situation based on current strategies and savings rates, and recommendations for key investment, tax, estate and retirement planning strategies that are aligned with your goals. Finally, there should be a projection of your financial situation based on implementing the recommended strategies as well as an action plan to summarize the key recommendations and guidelines and to help you monitor the results.

A comprehensive financial plan should also be adaptable, depending on your personal circumstances. Some investors will naturally have more complex financial situations than others, such as an executive with a complicated compensation package or a business owner with an interest in a private corporation. You may own, or plan

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to own, more than one real estate property or you may have a large and complex estate. Alternatively, your financial situation may be straightforward and you may only need a simple retirement plan or projection to determine if you are on track to meet your retirement goals.

Whatever your situation – millionaire, average investor, executive, business owner or soon-to-be retiree – a customized financial plan tailored to your needs should be a significant piece of your financial toolkit. It will be invaluable in helping to ensure your family's long-term financial security and success. ■

A comprehensive financial plan is essential if you own an active business and have complex financial issues. These can include business succession concerns, withdrawing money from your corporation in a tax-effective manner, and the taxation of the corporation on your death. Like many business owners, you may not have a retirement savings strategy and may be relying on the equity in your business to fund your retirement. A financial plan can help integrate your business and personal needs to ensure you are well equipped to meet your goals.

Is your family taking full advantage of the TFSA?

Already in its third calendar year, the Tax Free Saving Account (TFSA) is a great way for Canadians to optimize their investment opportunities and minimize tax consequences. Hopefully you are already taking advantage of your own TFSA, but are you sure you and your family are making the most of this tax-advantaged plan? There are a number of strategies that you can use to maximize TFSAs as part of an effective financial plan.

Spouses and TFSAs

For starters, have you considered making a TFSA contribution for your spouse? Unlike RRSPs, there is no such thing as a spousal plan for a TFSA. Also unlike RRSPs, everyone who is eligible accrues the same TFSA contribution room no matter what their income. This means a higher-income spouse can gift money to their lower-income spouse who can then use the funds to contribute to their own TFSA. The money in the TFSA is not taxable, so whatever income and growth are earned in the account will not be subject to the attribution rules. This easy income-splitting strategy can help you and your spouse maximize your savings. If your spouse has income of his or her own, they can use that money to take advantage of their available RRSP room, or invest in a non-registered investment account.

Alternatively, did you know that you can contribute to your adult child or grandchild's TFSA? If your child or grandchild is a Canadian resident aged 18 and over, with a social insurance number, they can open a TFSA and make contributions. If 18 is not the age of majority in the province where they live (currently 19 is the age of majority in Newfoundland and Labrador, New Brunswick, Nova Scotia, British Columbia, Northwest Territories, Yukon and Nunavut), they can open a TFSA when they do reach the age of majority in their province. However, it is important to know that no matter where in Canada they live, they will start to accumulate TFSA contribution room from age 18. With this in mind, if estate planning is one of your priorities, or even if you are just interested in making gifts to your family members during your lifetime, the TFSA can be a great way to begin gradually transferring wealth. For instance, as a very generous university graduation present, you could give your 22-year-old grandchild $25,000 (five years times $5,000 of annual contribution room – assuming they haven't already made a contribution) to put in a TFSA.

TFSA as collateral

Another option that you may not be aware of is using the assets in your TFSA to pledge as collateral for a loan. There are some prerequisites to consider before using the funds in this way, namely, the loan must be from an arm's length person and granted on normal commercial terms. But this could be a good opportunity if you're interested in putting a leverage strategy in place. Take, for example, a lower income spouse. By leveraging the TFSA assets, he or she could invest the borrowed monies in a non-registered account. If the funds are used directly to invest in income-producing assets, the spouse may be able to deduct the interest expense. However, care must be taken when applying this type of advanced planning. It's important to understand the tax rules that could apply, so obtain professional tax advice to make sure this strategy makes sense for you.

As you consider your investment options and goals for this year, keep in mind the benefits and alternative strategies available with a TFSA. ■

Healthy bodies get an A+

After-school tutors, extra homework groups, teacher conferences … wondering how to help your child succeed academically? Why not try exercise. Keeping your children active can actually help them achieve academic success. For years, research has confirmed the benefits of physical activity for our bodies and minds. However, student-focused studies also reveal a link between increased physical activity and improved academic performance.

One study at West Virginia University[1] compared the fitness levels and academic test scores of 725 Grade Five students with the results for the same group two years later when the children were in Grade Seven. The study showed that academic performance improved when the students' fitness levels increased and decreased when fitness levels went down. The academic testing included reading, math, science and social studies. Students with the highest academic scores were considered to be fit both when the study began and when it ended two years later. However, the study also suggested that it is never too late to start. The students who obtained the second highest academic scores were not considered fit initially, but had become fit by Grade Seven. Third place academically were students who were active in Grade Five but whose activity level had decreased by Grade Seven. The students who placed last academically were not fit at either point in the study.

Create a set time for daily activity

The strength of the accumulated research should encourage parents and schools to incorporate a set time for physical activity into children's daily schedules. According to the 2009 Active Healthy Kids Canada Report Card on Physical Activity for Children and Youth[2], only 13% of Canadian children get the recommended 90 minutes of physical activity a day. Although this number is up from 9% in 2006, there is still significant room for improvement both at home and at school.

Despite the demands of an already hectic life, there are some simple ways to incorporate physical activity into your child's schedule. In fact, get active with your children. It's important for children to see their parents also leading an active lifestyle and you'll both reap the rewards of increased physical activity. It can be as easy as making time for a family walk or bike ride after dinner.

Alternatively, register your children in an organized sport program. Including organized physical fitness programs in your children's schedule will help them develop the self-discipline to participate, get fit and maintain that active lifestyle. Remember that the cost of some organized sports programs may qualify for the Children's Fitness Tax Credit – a non-refundable tax credit of up to $500 per child under the age of 16 (or under the age of 18 for children with disabilities). ■

[1] Cottrell, L., Northrup, K., Wittberg, R. (2007). The extended relationship between children's cardiovascular risk and academic performance measures. Journal of Obesity, 15 (12).

[2] The 2009 Active Healthy Kids Canada Report Card on Physical Activity for Children and Youth, released in collaboration with ParticipACTION and the Children's Hospital of Eastern Ontario Research Institute – Healthy Active Living and Obesity Research Group (CHEO-HALO).

Sharing laughter, love and … taxes?

As parents or grandparents, you want to support your family's future and usually that tends to be by providing financial assistance. Many of you are supporting your children into their 20s and beyond, and you may even be paying (privately or publicly) for your parents' retirement. The problem is that using personal funds to provide that assistance may not be the most tax-efficient method. For example, if you are taxed at a top tax rate of 45% and you are paying $15,000 for your child's school and other extracurricular expenses, you need to earn approximately $27,250 in before tax dollars to fund that payment.

Most families know how importa nt it is to stretch every dollar, but not making the most of available tax savings is like pouring money down the drain.

There may be a more tax-efficient way to fund your family's expenses. Instead of investing your non-registered assets in your own name and exposing the investment income to your high tax rate, you could consider using a family trust to shift the taxation of your investment income into the hands of your lower-income family members. The investment income, which in many cases is tax-free, is then used to pay for your family member's expenses.

Lower-income family members

One couple decided to establish a family trust after asking their advisor about tax-saving strategies. Their 9-year-old son received a spot on the local rep hockey team last year. The registration fees were nearly $2,000 and the new equipment he needed cost $1,000. In addition, the couple would now be incurring thousands of dollars for travel costs, not only for their son's hockey tournaments, but also for their 12-year-old daughter's figure skating competitions and coaching costs.

Since the couple's children have no other income, they can each earn a certain amount of investment income tax-free every year due to their basic personal tax exemption. The couple wasn't aware that every person in Canada, regardless of age, is able to claim the basic personal tax exemption, the amount of which varies by province. Many Canadians simply don't take advantage of this. The exemption doesn't accumulate like RRSP room does – it's a "use-it-or-lose-it" proposition. If you don't take advantage of the fact that your low-income family member can earn tax-free investment income every year, then each year you miss is a lost opportunity.

This particular family lives in Ontario, where the basic provincial personal exemption is approximately $9,000. This means that, through the family trust, both the 9-year-old and the 12-year-old could earn up to $9,000 of interest income tax-free, or capital gains up to $18,000 tax-free (since only 50% of capital gains are taxable). Even higher amounts of Canadian public company dividends can be earned tax-free due to the federal and provincial dividend tax credits. The couple was thrilled knowing that this tax-free investment income would go a long way towards paying for their kids' extracurricular activities.

But what if the family member you are supporting already earns a small income of their own? Would a family trust strategy still make sense? A grandparent in Saskatoon was wondering the same thing. He is helping his granddaughter pay for living expenses while at university and she already has income from her summer job.

Even if the granddaughter earns some income, there will generally still be tax savings for the family by using a family trust since Canada's tax system is based on graduated or progressive income tax rates. A graduated tax rate system basically means that the higher your taxable income, the higher your tax rate. The highest tax rate applies once your taxable income exceeds approximately $128,000. However, the tax rate is fairly high even for those individuals with taxable income over $40,000. If the granddaughter is in a lower tax bracket than her grandfather, there is going to be an overall tax benefit.

You may be wondering: Why can't I simply transfer the money from my investment account to my child, or change the name on my account to their name?

Using a family trust to share your family's tax liability

The reason is that there's a catch: the Income Tax Act contains income "attribution" rules to ensure that income-splitting arrangements are implemented appropriately. If these rules are triggered, some or all of the taxable income and capital gains shifted to your family

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A low prescribed rate can provide tax-saving opportunities for you and your family.

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member could be taxed back in your hands. If this happens, you may not achieve your tax-saving objectives.

If the Ontario couple had simply opened an account in the name of their son or daughter and gifted them money to invest, then all of the investment income and capital gains would have attributed back and been taxed on the parent's income tax return. Instead, they will avoid triggering the attribution rules on all types of future investment income by loaning money to the family trust at the prescribed interest rate.

Prescribed rate loan

A prescribed rate loan is created using a formal written loan agreement with an annual interest rate at least equal to the Canada Revenue Agency (CRA) prescribed rate in effect at the time the loan is established. Once you have set up the loan, the prescribed rate of interest in effect at the date the money is loaned will remain in effect for the life of the loan, even if the CRA's prescribed rate changes during that time.

The benefit of the prescribed rate loan strategy is that investment income (interest and dividends) or capital gains distributed from the trust to your family members will not attribute back to you if the trust is properly structured. The trust must pay you annual interest on the loan but, when properly implemented, the tax savings on the investment income distributed to your family members should more than compensate for this.

To avoid attribution, it is essential to adhere to the interest payment requirement. The family trust must pay interest to you annually on or before January 30 of the following year. You must declare this interest as income on your tax return in the calendar year you receive it. If interest is paid even one day late for any year, the loan will lose its exemption from the attribution rules for that year and all subsequent years and consequently will no longer be effective as an income splitting strategy.

A low prescribed rate environment is an ideal time to use this strategy. As recently as 2007, the CRA prescribed rate on family loans was 5%. At this relatively high rate, it was more difficult to achieve tax savings since the trust had to earn investment income in excess of 5% for the strategy to be effective. As a result, some family trusts were funded using interest-free loans. If an interest-free loan was used, then interest and dividends distributed to the beneficiaries (regardless of their age) would attribute back to the lender. However, capital gains distributed from the trust would be taxed in the hands of the beneficiaries if the trust was structured properly.

The Ontario couple can benefit by taking advatntage of the current CRA prescribed interest rate in effect for the third quarter of 2011, which is at a historical low of 1%. CRA sets the rate every quarter based on the average rate of 90-day treasury bills sold during the first month of the preceding quarter, rounded up to the nearest percentage point.

The table below illustrates the potential tax savings that the Ontario couple may realize by making a prescribed rate loan at 1% to a properly structured family trust, compared to making an interest-free loan to a family trust or investing the portfolio directly.

For the family, the net tax benefit of having a prescribed rate loan at 1% is $4,340 in one year alone compared to the parent investing the portfolio directly. If this loan remained in place for ten years with similar returns, the savings would amount to $43,400. These savings would be further compounded if the investment returns increased.

The tax saving in one year would be $2,454 higher using a prescribed rate loan compared to an interest-free loan ($4,340 – $1,886). The additional tax saving results from the fact that interest and dividends would be taxed in the hands of the children; whereas, in the case of an interest-free loan, the interest and dividends would be taxed in the hands of the parent at their higher marginal rate.

Modifying an interest-free loan or existing prescribed rate loan

If you already have an interest-free or prescribed rate loan at a higher interest rate than the current prescribed rate, consider repaying your current loan and making a new loan to take advantage of the lower 1% interest rate. You can repay the current loan and establish a new loan using the current CRA prescribed rate, but there are some important factors to consider. Talk to your professional tax advisor before making a change. ■

Assumptions

- $250,000 portfolio
- Annual rate of return of 6.6% (2.8% interest, 0.55% Cdn dividends, 3.25% realized capital gains)
- Parent's tax rate: 46.41%
- Two minor beneficiaries; children's tax rate: 21.6% (if the child's taxable income is below the basic personal exemption there will be zero tax payable)
- Basic personal exemption per beneficiary: $9,000 (varies by province)

	Portfolio held directly by parent	Interest-free loan to family trust	Prescribed rate loan at 1% to family trust
Taxable investment income	$16,500	$16,500	$16,500
Tax payable by parent	$ 5,500	$ 3,614	$ 1,160
Tax payable by child	–	–	–
Tax saving in year 1	–	$ 1,886	$ 4,340
Tax savings over 10 years	–	$18,860	$43,400

Transitioning your business – plan ahead for success

As a successful business owner, you spend years building and operating your business. This may have allowed you to accumulate wealth during that time and hopefully it will also let you realize substantial financial gains when you are ready to sell it. But just as it took time to build your business, you should also dedicate time to prepare for selling or passing on your business. This will help ensure a successful transition and maximize your return.

A recent study by the Canadian Federation of Independent Business (CFIB) reveals that approximately 40% of all Canadian entrepreneurs plan to exit their business within five years and 70% within ten years. Surprisingly however, the same study also indicates that only one-third of business owners have prepared a succession plan for the transition of their business to the next generation or for the outright sale of the business to a third party.

"The time to prepare for the transition of your business is when you are least likely to think about it," says Prashant Patel, VP, RBC High Net Worth Planning Services. "When your business is peaking and you are reaping the rewards of years of hard work and building your success, you are unlikely to stop and think about how you want to transition it to someone else."

But proper planning should start early. Some experts suggest starting as much as five years prior to ensure a proper plan is in place by the time you are ready for the business to change hands.

Choose your successor wisely

A succession plan has many benefits. The CFIB study mentioned above also revealed that, of the business owners who have prepared a succession plan, 82% felt that it helped them shape their family's future. The study also cited other benefits of a well-prepared succession plan, such as minimizing tax, improving the financial stability of the business and maintaining family harmony.

If you are considering developing a succession plan for your business, here are some key issues to consider, in addition to tax and estate planning strategies.

Your business has been a significant focus of your life for many years; however, don't assume that your children will have the same passion for it as you do. That may not be the case.

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Take for example Manny, the owner of a home furnishing and decorating business. It took years for him to build his business and develop a loyal clientele. Although Manny would have preferred to keep the business in the family, he eventually realized that wasn't going to happen.

"Both of my children went to medical school," Manny explains. "Don't get me wrong. I am definitely proud, but when my younger son started medical school it was clear that I would have to sell." Manny even attempted to find another family member who would be interested in carrying on his business before he started searching for a third party buyer. "I put all my heart into building it," he admits. "I didn't want to let it go. I wanted to keep it in the family, so I started looking at my nephew or niece as a possible successor." Unfortunately, they were also not interested. Manny ultimately sold his business to a third party.

When considering your successor, keep your options open. You may have to consider a non-family member such as a key employee, to take over your business. Alternatively, if there is no natural successor within your family or the business, you may need to find an external purchaser. Passing on your business to the wrong person can come with many pitfalls, including family conflict and reducing the value of your business, so start planning early and be realistic.

Let your chosen successor lead the plan

Dr. Dean Fowler's book, "Successful Habits of Family Business Succession," compares the traditional method of succession planning, where the senior takes the lead, with those where the chosen successor assumes this role. According to Dr. Fowler, traditional plans tend to focus on estate planning and are less successful than those where the chosen successor takes the lead. The latter type of plan, focusing on management succession and strategies to buy out the senior, tends to be more successful.

While following this methodology can be key to a successful business transition, putting it into practice is often easier said than done. As the business owner, you have always been in the driver's seat, guiding your business through its ups and downs. You know exactly how it needs to be run and you know the best way to pass it on. So why would you sit back and let someone else lead the transition process? The reason is that if you allow your successor to guide the succession plan and consider their thoughts and ideas, this can give the business a better chance of survival. You may certainly be involved, as your expertise is vital to the process, but be careful not to take the driver's seat. Allow your successor to provide direction.

Groom and transition out

Transitioning your business within the family may be more desirable, but it generally involves more work. You will need to prepare your successor for the additional responsibility as well as introduce them to key business contacts well before you can transition out. At the same time, you must be willing to let go of the control and have faith in your chosen successor to take over the business.

If you are selling to a third party, your succession plan will likely be different. Following a sale to a third party, new

It is never too early to start planning. Many business owners procrastinate in implementing a business succession plan. Running and growing their business is their priority. According to the CFIB, one of the main reasons for failed successions is a lack of time to design and execute the business succession plan.

management will take over. You may no longer be involved unless you are retained to provide consulting advice to the buyer or as an employee to ease the transition. Although Manny, the business owner we discussed earlier, had initially wanted to remain active in the business, after selling to a third party, he realized that wouldn't be possible.

"I was planning to work part-time and help out my son if he took over the business," he explains. "This would have been good for me, as I wasn't ready for full retirement. I would have introduced him to my customers and suppliers and trained him. But by the time I finalized the sale with the buyer, I realized I wouldn't be able to work anymore. I had to inform my customers and suppliers that I had sold the business and wouldn't be involved in the future." The sale to a third party forced Manny into retirement earlier than he planned – a different outcome than would have happened if the business had remained in his family.

Hire an external advisor to assist you

Transitioning your business can be complicated. As your business matures and grows, its transition becomes more complex and you may require input from a variety of professionals such as accountants, lawyers and business valuators to assist with the process. Professional business succession facilitators have years of experience and can be important when transitioning a family business to help you take care of both emotional and business complexities. As mentioned earlier, a poorly executed family business transition can lead to family feuds and ultimately be detrimental to your business's future success. You can hire any combination of these professionals, according to your needs, to help your family design and implement your business succession plan. An objective third party can often facilitate productive discussion, help open lines of communication between parents and children, and ultimately bring about a successful transition.

When selling to a third party, you may not need a business succession facilitator; however, you will still need the services of professionals such as lawyers, accountants, business valuators and possibly others, depending on your business. Your team of professionals should work together and be involved early in the sale process. When Manny sold his business he didn't involve his lawyer soon enough. "I wanted to keep my legal costs down. During negotiations I agreed to terms that I shouldn't have agreed to, but it was too late by the time my lawyer got involved. That ended up being more costly for me."

Fair does not mean equal

One of the biggest challenges in any family is keeping things fair and equal. Even with young children, one scoop of ice cream for your 7-year-old son is equal to the one scoop of ice cream his 1-year-old sister received, but he may consider it an unfair distribution as he is bigger and ate twice the amount of broccoli. Similarly, when it comes to your assets, fair does not mean equal. To maintain family harmony, consider how you intend to divide your assets between those children who are involved in the business and those who are not. You may wish to give children who aren't involved in the business fewer business assets or more non-business assets. This could mean giving them securities or life insurance proceeds as part of their inheritance, instead of active business shares. This can help avoid inequality and potential conflict.

Be cautious when leaving business assets to children who are not involved in the business. If one of your children is actively running the business and working hard to make it flourish while your other child is an equal shareholder but not involved in the business, this may result in a conflict of interest and possibly unfair distribution of wealth. There are many ways to deal with such a scenario. For example, consider leaving a different portion of the business to the non-active child or possibly a different class of shares with different entitlements and participation rights.

If you sell the business to a third party, you may not have to distribute business assets to your children. Instead, there may be liquid assets which might make it easier to achieve a fair allocation of wealth. The sale of the business often raises the need to review your retirement and estate planning goals. Will the sale proceeds be sufficient to fund your retirement? Do you need insurance to meet your estate planning objectives?

Succession planning requires time and commitment. Your succession plan may seem easy and obvious or it may be unclear when you start out and require some thought and planning. Either way, it's important to dedicate time and effort to ensure a smooth transition, just as you dedicated time to growing your business and ensuring its success. ■

Common financial planning strategies within a business succession plan

- **Financial plan.** A financial plan for an owner exiting a business is a critical component of a business succession plan. It will determine if you have adequate resources to support your retirement lifestyle and highlight what, if any, additional retirement saving strategies (e.g. an Individual Pension Plan or Retirement Compensation Arrangement) are required.
- **Estate freeze.** An estate freeze using a family trust is a common business succession and income-splitting strategy. It can be used to transfer some or all of the future growth of a business to the next generation, helping to minimize and defer tax. Ensure that the estate freeze is flexible enough so that you can reverse the freeze if necessary.
- **Shareholders' agreement.** A well-drafted shareholders' agreement provides a framework for the smooth operation of a business and can be used to address business ownership issues when certain triggering events occur (death, disability, retirement, marriage breakdown and so on).
- **Insurance.** Appropriate disability, key person and life insurance are imperative to ensure that the business can continue and your family members are able to maintain their lifestyle in the event of disability or premature death. Insurance can also be a low-cost solution for funding buy-sell agreements and taxes upon death.

Building a better community starts with the right foundation.

RBC has a proud tradition of supporting the communities in which we live and work. In 2010, RBC's corporate and employee contributions to United Way totalled more than $20 million because we believe the best way for business to succeed is by creating vibrant livable neighbourhoods – neighbourhoods where residents and families have every opportunity to thrive and grow.

Maximizing your estate with a wealth transfer strategy

Your estate will likely be one of the greatest legacies you leave to your loved ones. It represents the culmination of a lifetime of hard work, smart investing and sensible financial planning. Unfortunately taxation can be your estate's worst enemy by reducing the rate of growth of your taxable investments and depleting the assets available to pass on to your heirs. However, opting to invest using a wealth transfer strategy can help maximize your savings and provide a larger tax-free benefit for your heirs.

A lifetime of hard work, smart investing and sensible financial planning are factors that determine the value of your estate. It is likely to be the greatest legacy you leave to your loved ones and you will only transfer it once.

There are a number of reasons why a wealth transfer strategy might be a better option for you. In addition to offering a range of investment choices and tax-deferred growth on your investment earnings, a wealth transfer strategy can also provide an immediate, tax-free estate and a tax-free maturity value at death. Further, it can reduce estate settlement costs if you name a beneficiary and offers the potential for creditor protection if you name a beneficiary.

"Disciplined savers often meet their retirement objectives by investing in pension plans and RRSPs. Many people also accumulate funds in non-registered investment portfolios," explains Allison Marshall, Senior Manager, RBC Financial Advisory Support. "Although these assets often provide financial security and peace of mind, the associated tax consequences may not make them effective vehicles to transfer wealth to your beneficiaries upon your death."

Instead of putting your non-registered savings in taxable investments such as mutual funds, GICs or other investments exposed to taxation, using a wealth transfer strategy lets you invest these savings[1] in a tax-exempt life insurance policy[2]. Investments within a tax-exempt life insurance policy grow tax-deferred as long as you leave them in the policy. This means you don't sacrifice investment earnings to taxes as you might in taxable investments. The policy provides an immediate lump sum for your beneficiaries as well as tax-sheltered growth for the cash value that accumulates within the policy during your lifetime. At death, the proceeds are transferred tax-free to the beneficiaries you name on the policy. What's more, the funds transfer outside your estate and do not attract probate fees[3].

As a prudent investor, you should always be looking at ways to enhance your estate and protect it from taxation. If you are close to retirement or have already retired and are looking for ways to shelter substantial non-retirement savings from taxation, consider using a wealth transfer strategy. By adding a tax-exempt life insurance component to your investment portfolio, you may be able to significantly enhance the value of your estate, maximizing the legacy you leave to your heirs. ■

[1] Up to certain maximums defined in the Income Tax Act regulations 306 and 307.

[2] Assuming you qualify for the life insurance policy.

[3] A beneficiary must be named on the policy for the proceeds to be paid outside of the estate.

Appointing the right executor for your estate

In choosing an executor[1] for their Will, people usually appoint their spouse, child, sibling or another family member. The reason is simple – they trust these people to act in their best interests and see that their wishes are carried out.

When choosing an executor[1] for their Will, many people automatically think of appointing their spouse or one of their children. It's a highly personal decision and places a huge responsibility on the chosen person. It therefore seems natural to choose a family member or a close friend. After all, they'll be dealing in intimate detail with your financial affairs and potentially getting involved in private family matters. So, is it really a privilege to be asked?

According to an Ipsos Reid survey, the person you choose is likely to accept the appointment. The survey revealed that almost 90% of Canadians who were asked to be an executor agreed to the request and many considered it an honour.[2] However, when choosing an executor, remember that it takes more than trustworthiness and good intentions to do the job. Your executor will face many duties and responsibilities which require time, effort and expertise. You should be aware of what the role involves when you appoint an executor, and the person you choose should be aware as well.

Settling an estate can involve numerous tasks

The following are examples of the responsibilities an executor may take on when administering an estate. Their duties may include:

- Locating and meeting beneficiaries to explain the estate settlement process, from probate to distribution
- Arranging funeral, memorial, cremation or burial
- Locating the deceased person's assets, making a detailed inventory, reviewing and adjusting insurance coverage

[1] Estate Trustee with a Will in Ontario; Liquidator in Quebec.

[2] Ipsos Reid Canada/RBC poll conducted between August 11–15, 2006.

- Managing the deceased person's financial assets and making investment or asset sale decisions
- Arranging to empty and clean the deceased person's residence, changing locks, maintaining insurance, utilities and tax payments and possibly coordinating the sale of the property with multiple advisors, lawyers, realtors and other professionals
- Filing life insurance claims and pension benefits claims and potentially multiple tax returns for both the deceased person and their estate
- Maintaining all financial records
- Paying creditors and distributing the estate to beneficiaries
- Setting up and managing any trusts that have been established in the deceased person's Will

These are some of the potentially numerous duties that could fall to the executor. The person who may have initially felt flattered to be chosen as your executor may feel understandably overwhelmed when they realize the full extent of their responsibilities. Don't let it come as a surprise. The same Ipsos Reid survey found that less than 10% of respondents were aware of the long list of duties and the time commitment necessary to discharge them adequately. A close friend or sibling may not always be the best choice of executor. Feelings of loyalty shouldn't influence your decision. Consider choosing a person whom you know has the time and technical skills necessary to organize and complete a wide range of demanding tasks. In some cases this may be a professional advisor or a corporation.

Ensure the executor knows what's involved …

Even simple estates can take many months to administer and more complex estates may take years. During this time an executor may be required to balance the interests of multiple beneficiaries and to communicate with tact and diplomacy. Where there is family discord and conflict, it can be invaluable to have an unbiased third party as executor to manage these tensions. Even then, there may be beneficiaries who are unhappy with the deceased person's choice of executor. The appointed person will need skill in managing potential friction and maintaining a professional manner.

Another factor to consider is that beneficiaries are frequently unaware of the tasks involved in administering an estate and the length of time before distribution can occur. Executors often need to set the beneficiaries' expectations early in the process and give them a reasonable timeline. This is particularly important for beneficiaries who will receive a share of the residue of the estate. These beneficiaries will eventually be required to provide written approval of the estate accounts, confirming that they are happy with the way the estate has been administered. If the executor provides regular progress reports to the beneficiaries, rather than allowing periods of silence to develop, the beneficiaries have opportunities to voice any concerns they may have. This approach can help to minimize conflict and delays; however, it takes experience to foresee sources of tension and take preventative measures. That can be difficult, if not impossible, for a first-time executor. Of course, professional advisors, for example, lawyers and accountants, often work alongside a lay-executor to provide specialized insight and advice as required, but an executor who has a busy schedule may still find it a challenge to carry out his or her duties in a timely manner.

Technical know-how can be invaluable

Executors are responsible for a range of tasks that require not only organizational skills but also technical expertise. There are tax-filing responsibilities for all estates but these can be extensive for some estates, depending on the nature and extent of the deceased person's assets. For example, if the deceased created a testamentary trust in their Will, to pass assets to beneficiaries only at certain times or during defined events, the executor may also be named trustee and have a longer-term association with the estate and the trust beneficiaries. This kind of extended responsibility generally involves responsibility for making investment management decisions for the trust and fulfilling tax-filing obligations. Depending on the terms of the trust, these can go on for many years. If you're considering setting up a testamentary trust in your Will, do you want the same person to act as executor and trustee of the funds placed into the trust? Some individuals appoint different people for the two roles or engage a corporate trustee to handle the long-term management of a trust fund, especially if it has substantial assets and complex provisions.

Individuals frequently overlook emotional factors. When drafting a Will and considering candidates for the key role of executor, individuals sometimes neglect to consider the impact that their passing may have on the people on their list. The spouse and children of a recently deceased person may be emotionally incapacitated and ill-equipped, albeit temporarily, to handle the executor's extensive duties and think clearly about the many organizational tasks that need immediate attention. Is the number one candidate for executor going to be the best choice following a traumatic event, like the death of a close friend or family member? A professional advisor may be a practical option, someone who is familiar with the tasks involved and able to maintain objectivity at a stressful time. At a time of turmoil, it can be comforting to a recently bereaved person to know that the administrative duties they don't even wish to contemplate are being professionally handled.

When an appropriate person has been identified, ask them if they are prepared to act. It's not uncommon for an individual to name their executor without discussing the appointment with them beforehand. An executor who has not been consulted may be unable or unwilling to take on the role. Renouncing their appointment and finding a replacement can cause unwanted delays and additional stress. An executor should know that they can be held personally liable for mistakes that result in financial loss to the estate. Lack of knowledge that leads to such an error won't be a mitigating factor if a beneficiary decides to sue, so this kind of appointment is no small undertaking. Don't forget to ask the executor before you appoint him or her.

Appointing a professional executor may be the right choice

For those considering the appointment of a professional executor, there are many options. Lawyers and accountants are popular choices, along with banks and trust companies. They charge for their services, but the choice depends, to some extent, on the nature and complexity of the estate and the deceased's personal circumstances. Whether a professional executor is appointed in the Will, or the named executor engages professional executor and trustee services later on to assist an executor in discharging their duties, it can make financial sense to complete estate administration duties with speed and efficiency and can reduce the burden at a highly stressful time. ■

Keeping your vacation property in the family

Over the last 10 to 15 years, vacation property values have skyrocketed. This not only has an impact on your annual property taxes, but on the taxes you will eventually pay when passing the property onto the next generation. For example, a vacation property purchased for $50,000 in 1975 and sold for $850,000 today would have a capital gain of $800,000. Half of this is taxable – $400,000. At a 40% marginal tax rate, there would be $160,000 payable in taxes on your property. It's important to note that these taxes would be payable regardless of whether or not you actually sell it. Even if you simply give it to your family, either during your lifetime or in your Will, the government considers it a taxable disposition at current market value and you (or your estate) still owe the taxes on the capital gains.

Here are some ways to minimize a tax hit.

Maximize the principal residence exemption

Even if you only use it on weekends or during the summer, you can designate your vacation property as your principal residence, which is exempt from taxes on the capital gains. This may make sense if it has increased more in value on an annual average basis than your main residence. You can also switch the principal residence designation year to year, depending on which property has gained more in a given year. In addition, you and your spouse can each designate a principal residence up until 1981, enabling you to shelter capital gains earned until then on both your main residence and vacation property.

Check if you used the special capital gains exemption

The $100,000 lifetime capital gains tax exemption was eliminated in 1994. However, you had a special one-time opportunity to utilize any remaining unused exemption amount by adding it tax-free to the cost base of any capital property. While you can't use this exemption now, you should check to see if you did use it, and how, as it will affect how you use your principal residence exemption to your greatest advantage.

Consider other strategies to manage taxes and maintain family harmony

- **Give it away to family members now.** You will be responsible for any taxes on the capital gains up until this point, but any future capital gains will be taxable to your family members, presumably at a much later date. You also avoid probate taxes, which are potentially significant in all provinces except Alberta and Quebec.
- **Transfer the property into a family trust.** This enables you to set rules for usage, upkeep and succession that can help maintain family harmony. When you transfer the property into the trust, you trigger a disposition at current market value, realizing any taxes on the capital gains. In addition, there is a deemed disposition at market value within the trust every 21 years.
- **Create a co-ownership agreement.** Whether you give it away now or in your Will, it's a good idea to establish a co-ownership agreement between your family members setting out the ground rules for usage, maintenance and paying expenses. Set aside a family vacation property fund. If you establish a family trust, you can set aside additional funds to cover ongoing maintenance costs and future taxes. You can also do this through a testamentary trust in your Will.
- **Cover tax costs with insurance.** While insurance costs can be high, the tax costs can be higher. One common strategy is for your family members to cover the insurance premiums, as they will ultimately benefit.

It's your family's special home away from home – and you'd probably like to keep it that way for generations to come. But keeping the family vacation property in the family requires some forethought and planning.

Life in the Sandwich Generation

There is an entire generation of Canadians who are now finding themselves not only caring for their children, but also caring for their elderly parents and even friends. It's a growing trend that affects more Canadians every year and it's known as the "Sandwich Generation".

Why the trend? In general, we are marrying and having children later in life than previous generations did. Combine that with the simple fact that, by and large, Canadians are living longer. The result is a large group of society carrying the responsibility of their children's care and education, their own retirement and the growing needs of elderly family members.

For Tony Maiorino, the youngest of five children in an Italian immigrant family from Ottawa, it's a familiar scenario. "Helping each other achieve our goals has always been important in our family. Our parents were always supportive and there for us when we needed them," says Tony. "My father passed away when I was a teenager. Although my three eldest siblings had already left home and started families of their own, my mother still had my older brother and me at home to care for. At that time we both still needed a lot of nurturing and guidance."

The culture of caring in Tony's family, like many Canadian families, passed from one generation to the next. With such strong family bonds, Tony and his siblings knew that eventually it would be their turn to care for their mother.

Today, raising his own young family in Toronto, Tony and his siblings are now helping to care for their mother and adapting to her changing needs. "Our lives are already consumed with our busy families and careers. I have three kids aged 11, 9 and 3. Their social calendars are daunting enough! Soccer, piano, skiing and guitar lessons, tutors, after-school activities and birthday parties all have to be balanced with my siblings' equally busy lives as we all share the responsibility of caring for our mother, who is now 83." Being in Toronto makes it difficult for Tony to always be there when his mother or his siblings need him. "There's no question I carry some guilt that I can't be there more to support my mom and siblings," says Tony. "That guilt is something I'm sure most people aren't prepared to deal with."

The degree and type of support needed by aging parents changes over time. In the case of Tony's mother, it started with a loss of independence when she had to stop driving four years ago. "It was a very difficult transition for her. She only got her driver's licence at age 57, after my father died. At the time it was a big accomplishment for her and gave her a freedom she didn't have before. No longer being able to drive was hard for her."

According to Statistics Canada[1], 61% of women live past the age of 74, compared with 39% of men. The largest percentage of caregivers surveyed, approximately 37%, report caring for their mothers. This is three times as many as those who reported caring for their fathers. Statistics Canada also reports[2] that 81% of women aged between 75 and 84 years receive care in their own home, compared to 61% over age 85 when many elderly people move out of their homes in order to receive the care they need.

Tony's family is focusing on the next life transition for their mother. "Two years ago, with her blessing, we moved her out of the larger house that she and my father had built and into a new home, which is smaller and easier for her to manage. Now we are helping her adjust from living full-time in her own home to living part-time there and part-time in a more structured care facility. Eventually she will be living full-time in that long-term care facility. We want her to see the advantages of having somebody close by during the days and evenings instead of being at home alone." For Tony's family, the decision to move their mother into a more structured care facility has been a difficult one. "We've struggled with it for sure." Shortly before moving from the family home, Tony's mom suffered two minor strokes leaving her with some mobility issues. In addition, it became more difficult for her to prepare her meals and to care for herself. "How to balance mom's happiness with our concerns for her safety and health became our biggest concern," says Tony. "Fortunately for us, mom realized (reluctantly) that she did need some assistance and allowed us to provide that for her."

As the Sandwich Generation becomes a reality for more and more Canadian families, many are looking for ways to make this additional responsibility a little easier to manage. Some families are setting up a family trust, either with a gift or a prescribed rate loan, as a tax-effective way to help finance a parent's long-term care expenses. In this way, a number of family members are contributing to the trust fund and easing the financial burden on everyone.

A range of services are also available from federal and provincial governments, providing support for seniors and their families, whether the parent is being cared for in their home or in a long-term care facility. Visit the Government of Canada website at www.servicecanada.gc.ca/eng/audiences/seniors/index.shtml or your provincial website for useful information about all the programs available.

While the majority of those providing care report coping well with their care-giving responsibilities[3], it is important to still remember your own needs while you are so focused on taking care of others. "It is a drain on all of us," admits Tony. "Particularly my brothers and sister who live much closer to our mother than I do.

[1] Statistics Canada, Age and Sex, 2006 Census.
[2] Statistics Canada, General Social Survey, 2007.
[3] 2007 General Social Survey (GSS) on Family, Social Support and Retirement.

Some of them have grown children who are starting their own families. My siblings are becoming grandparents at the same time that they are helping to look after our mother. In my case, my children are still quite young and also require a great deal of time and attention. Come the end of the day, it seems it's us, the parents, who are the most exhausted!"

Today's caregivers need to ensure that their own retirement planning remains on track, but they also need to plan for other responsibilities. Administering the estate of a loved one isn't something we want to think about, but for many of us in the Sandwich Generation it will be part of our future.

It's something Tony's family has discussed. "My siblings and I are all busy people and taking on the responsibilities of an executor is another huge commitment. Fortunately there are options to help families in this position."

For example, trust companies generally offer corporate executor services and can provide professional estate administration assistance to clients who have been named as executor. They assume some or all the executor responsibilities and guide the named executor through what can be a complex and often lengthy process.

As Tony and his siblings focus on their mother's needs at this stage of her life, they also want to recognize their parents' achievements and support their goals in a meaningful way. "Our family created the Maiorino family foundation to promote the charitable objectives that are near and dear to our family. Through the foundation, family and friends can make a donations that help create a lasting legacy in our family's name and keep our vision alive for years to come."

With so many other people depending on you, it can be easy to forget about your own needs. Make sure you continue to meet your ongoing financial obligations and stay on track to meet your financial goals. It may be helpful to review your investment and retirement plan and prepare a financial plan to ensure your needs will be met. It may also be helpful to sit down with your parents to review their financial plan and ensure the two plans are properly coordinated and structured.

By taking an open, family-focused approach, you can ease the crunch of the Sandwich Generation. "Be sure to tap into all the resources available to you and share the responsibilities whenever possible. By doing so, it's easier to manage the financial and emotional stress of caring for both your parents and your children, while not forgetting about your own future," concludes Tony. ■

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