The Financial Corner with Joanne Vesprini

The Salkantay Inca Trail - Peru

A quarterly newsletter filled with practical wealth management advice to help understand several aspects of financial well-being.

- My view on the markets
- Softer Side of Estate Planning
- Tax Planning
- Did you know

Spring 2016

My Thoughts,

The first quarter of the New Year was a roller coaster ride. If you were looking at your account balances on a daily basis it caused undue stress and anxiety. Keep in mind that the media is talking about the impact for the next six months and most people are managing their money for the next ten or twenty years. So what's happening today truly does not impact your ten year plan.

We will continue to experience this roller coaster for the better part of 2016. I expect that sometime this year the price of oil and commodities will find their bottoms and begin slowly increasing (and by the time this is published this may have already happened). So for Canada this means a large part of our economy will contribute very little to economic growth until the oil price rises. In the meantime low interest rates and a low Canadian Dollar will help the service and manufacturing sectors of Canada and will be our source of growth.

In the US, the economy is in the latter part of the business cycle. At this stage growth slows but the US will still be the economy that leads in global growth. China will struggle as it transitions to a new economy and a new way to value their currency. In Europe we have countries managing inflation with the movement of interest rates in direct contrast to the US and the UK is bracing for a vote on Brexit.

Is this new? Not really. If you have been through enough market corrections and have structured your portfolio with good downside protection then you know that in time this will correct, your portfolio will recover and it will start growing again. In my experience, history repeats itself.

The downside protection in your portfolio will handle the ups and downs of the market so you can rest easy. Make the decision to look at the value of your accounts on a quarterly basis, read the remaining articles and please get outside and enjoy Spring.

Sincerely,

Joanne

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The softer side of estate planning

Some things come naturally. Talking to your children about your estate plan may not, but that's not a reason to avoid it. Your planning choices depend on your family and the type of estate you want to leave. If you have a family business, for example, there may be family members participating in the business who are the natural beneficiaries of those business interests. Siblings or other family members may know this and realize that their portion of the estate will come from other assets. Similarly, leaving the family vacation property to those who want to keep it in the family and who wish to have an ownership interest in it may be the natural choice. You may have joint ownership or trust arrangements in place, or you may decide to set up a trust in your Will containing assets to be used for the property's maintenance. Creating an estate plan, and/or performing regular reviews, is a necessary part of retirement. The hope here is that the decisions you make won't affect your enjoyment of your retirement lifestyle.

Choosing an executor/liquidator

Talk to your executor (liquidator in Quebec) and/or trustee before you appoint them. There's a general perception that being appointed as executor is an honour. An executor appointment can involve a significant amount of work and responsibility; it demands organizational abilities and can require that the executor balance complex family dynamics and undertakes technical tasks, like tax filing, which the individual you choose might not be familiar with. It can also require the executor to be physically present (this is important if you're thinking of an out-of-province or non-resident executor). There can also be compliance and sometimes taxation implications if you choose an executor who lives in another jurisdiction. What some people don't realize is that, realistically, administering an estate may take more than a year; this time commitment may be a burden for those with multiple demands on their time. Furthermore, the legal responsibilities of the role could also subject your executor to potential personal liability. In the RBC 2015 Poll, an increasing number of respondents, 80% of retired and 77% of pre-retired individuals, discussed their Wills with their executors. The best advice is to select your executor carefully, and ask him or her if they are prepared to act before you appoint them. If they become unable to act or find the process overwhelming in the future, a number of trust companies provide services designed to assist executors, fully or partially, with estate

An excerpt from "Retiring in Canada" 10/2015 RBC Wealth Management
To receive a copy of the entire publication please call/email Joanne

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Tax Planning

Capital Gains and Losses

If, after netting your capital gains and losses realized in the year, you have excess capital losses, consider completing CRA Form T1A, Request for Loss Carryback to carry back the remaining capital losses to offset any capital gains that you have reported in any of the three previous tax years. By doing so, you may be able to recoup some of the taxes you paid in the previous years. This form should be included with your current year tax return. The CRA will send you a Notice of Reassessment for the year(s) you applied your capital losses to.

If you have a taxable capital gain in the year, determine whether you have any unused net capital losses available to carry forward from previous years. You may be able to apply these losses against your current year capital gains to reduce your taxes payable.

If you had any securities in a nonregistered account that ceased to have value during the year, you should consult a qualified tax advisor to determine whether they are considered "worthless" for tax purposes. If so, you may be eligible to claim a capital loss in certain circumstances. For more information, please ask your RBC advisor for our article titled "Claiming Losses on Worthless Securities".

If you donated a publicly-traded security with an accrued capital gain in-kind to a qualifying charity, the capital gain may not be taxable and you benefit from the donation tax credit. Complete CRA Form T1170, Capital Gains on Gifts of Certain Capital Property to calculate the adjusted capital gains on your gifts of publicly-traded securities. For more information, please ask your RBC advisor for our article titled "Charitable Donation of Securities".

If you sold securities in the year, ensure that the adjusted cost base (ACB) you report on your return is accurate to ensure you are paying the appropriate amount of tax. For more information, please ask your RBC advisor for our article titled "Capital Gains and Losses – Calculating your ACB".

Pension Income Splitting

Consider splitting up to 50% of your eligible pension income with your spouse to lower your overall family tax bill. The pension income splitting rules allow you to reallocate certain types of pension income to your lower income spouse to tax it in their hands at their lower marginal tax rate. By reallocating your pension income, you may also avoid having your Old Age Security (OAS) or other income tested government benefits reduced.

If you are under 65 years of age during the year, you are generally limited to splitting life annuity payments originating from a pension plan. If you are 65 years of age or older during the year, in addition to life annuity payments from a pension plan, you can split RRIF/ LIF/PRIF/RLIF income, among other types of pension income. Please note that if you live in the province of Quebec, you will only be able to split pension income for provincial tax purposes if you are 65 years of age or older. For more information, please ask your RBC advisor for our article titled "Pension Income Splitting".

To split the qualifying pension income, you and your spouse have to make a joint election on CRA FormT1032, Joint Election to Split Pension Income. The form must be signed and attached to both your and your spouse's income tax returns.

If you or your spouse received eligible pension income, remember to take advantage of the pension income tax credit on up to $2,000 of that income. If your spouse does not need to claim all of the credit in order to reduce their federal taxes to zero, they may transfer any unused amount to your return. For more information, please ask your RBC advisor for our article titled "The Pension Income Tax Credit".

Did you know?

- That you could quite possibly be retired for almost 20yrs assuming you stop working at 65
- You may want to give serious consideration to what you will do with your time in retirement as you will have many more retired years than previous generations
- Work can give one's life meaning and it's this meaning that is important in retirement
- If you are a woman already in your 80's, then the odds are you will long outlive the life expectancy
- The key to happiness post-working life is to keep active physically, socially & intellectually
- Studies show that if you haven't started those things you plan to do in retirement while you're working, there is a very low likelihood that you will do them after your working life; for example, tennis, golf, sailing. I believe the main reason for this is how long it takes to master these skills

Blazing the trail to your retirement dreams

Baby boomers are redefining retirement

Even when baby boomers reach the golden age of 65, they may not necessarily pack up their desk and enjoy a quiet retirement lifestyle like their parents did. If their influence on social revolutions in the past is any indication, chances are that baby boomers are going to enjoy retirement differently.

Different retirement lifestyles

Characteristically, baby boomers have enjoyed higher standards of living than their parents. In addition, healthier lifestyles and medical advances are leading to longer life expectancies. All these factors indicate that this generation will be looking to enjoy higher standards of retirement as well. Achieving this involves careful planning so that your savings are able to provide adequate income for you to enjoy the rest of your life on your terms.

Times have changed – and so has the retirement age

Unlike their parents, baby boomers may not necessarily be working towards the goal of retirement. Many individuals have found fulfilling careers they want to continue developing past the age of 65. Some are even planning on starting a second career after "retirement."

To longevity and good health

Living longer ultimately means very little without your health. With longer life expectancies and medical advances that allow people to recover from serious illnesses, you also need to think about building health-care costs into your retirement savings plan.

You've seen it before

While you've been saving for your retirement, you've experienced the ups and downs of the markets and seen generous and all-time low interest rates. After you stop working, the markets and interest rates will continue to change. With the many different demands on your retirement income, planning ahead and planning with smart strategies is important in order for you to achieve your objectives and still be prepared for economic swings.

Retire from work, but not from life. M.K. Soni

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