

Grandparents Helping Grandchildren



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RRIF Minimum Payment Reminder

Getting everyone back to school after Labour Day marks the unofficial end to summer, and reminds us of how special family relationships can be. Often it's the warm summer months that bring out the best in Canadian families -- fun times shared at a cottage, around a pool, or enjoying the sights and sounds together in our great city. It's the start of the season when everyone is back in their workplaces and getting down to the job at hand. But, it's also a time in our industry when clients start looking at their monthly statements again, and more often than not refocusing on their goals and objectives.

Often that refocusing is directed to their grandchildren. Grandparents LOVE their grandchildren. And who wouldn't under the usual circumstances - they come for a visit, you have a riot with them, then they go home! At a school assembly on Grandparents Day, one little guy speaking with a commanding presence on why grandparents are so special, said, "Grammas never run out of cookies". But what if you as a grandparent want to do more than just cookies? Let's look at a few simple ideas.

1. "Cash is king". Write them or their parents a cheque to pay for some of those back-to-school or Fall season expenses. Maybe an iPad or a laptop. Pay for an activity - hockey and dance seasons are gearing up, and they're expensive.
 2. Contribute to a Registered Education Savings Plan (RESP). If their parents have a plan, have they been contributing the \$2,500 annually per child that is needed to get the full government grant of 20% or \$500? Perhaps you can "top up" the plan. And, if the parents don't have a plan, consider starting one yourself.
 3. Provide for a small bequest in your Will. Consider our friend Dave. Years ago his grandmother left him \$10,000, and he still remembers that \$10,000 as money he put down to buy a cottage over 30 years ago. What a great legacy!
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4. Here's a unique idea: buy your grandchild an annuity that pays him or her a small amount annually on their birthday for LIFE. Currently, it takes approximately \$14,100 to provide \$500 annually in one year's time.. Can you imagine the smile that would put on your grandchild's face when the cheque arrives every year.

5. Invest in a segregated fund offered by life insurance companies. These funds have some unique features and benefits, but also offer many of the same investment strategies as mutual funds. As a grandparent you could own and be the beneficiary where a grandchild is the successor owner and "annuitant". On your death ownership of the contract would pass outside your Will, probate-free to your grandchild. Note that you'd be deemed to have disposed of the investment on your death for capital gains tax purposes.

6. Set up a Wealth Cascade. Investment assets inside a life insurance policy accumulate tax-free. Some policies are designed to maximize the tax-sheltered accumulation as an alternative to simply buying life insurance for protection and investing in what would otherwise be taxable investment accounts. These policies are an effective way to transfer wealth tax-free to grandchildren.

To do this, buy a "universal life" insurance policy on your grandchild's life. Once the grandchild reaches the age of majority you can transfer your ownership and the accumulated value in the policy transfers directly to your grandchild, skipping a generation.

7. Buy a "bond" - an Estate Bond that is. Similar to the Wealth Cascade, in this case you are insured, not your grandchild. (Yes, some life insurance companies offer policies to 60, 70, and 80-year olds who are in reasonable health). You purchase a universal life insurance policy on your own life, with your grandchild

as the beneficiary. You deposit funds into the policy in excess of what is needed to pay for the insurance costs, creating "cash value". Over time the cash value grows on a tax-sheltered basis, and can be paid to your grandchild along with the insurance proceeds tax-free on your death, bypassing your Will and probate fees.

With any of these strategies it's important that you get knowledgeable tax, investment, and insurance advice, including how to protect grandchildren who are minors. But, they're great planning strategies that allow your grandkids to have their "cookies", and eat them too. Contact your Polson Bourbonniere Financial Certified Financial Planner® professional to see if they'd work for you in the context of your financial plan.

Phoney This, Phoney That



Lydia Bzowej
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I live in Durham region and in one week two headlines in our local paper screamed out at me: "Durham warns of phoney water treatment sales pitches" and "Phone scams continue at alarming pace, Durham police warn". So, let's revisit how to protect yourself against fraud - both online and by phone.

Online

Online threats have been around for years. These include phishing scams which are e-mails purporting to be from a Bank, Canada Post, Fedex, and recently Paypal and even CRA. Most companies will not send you an e-mail saying that your account has been threatened so never, ever click the link in

these e-mails or enter any personal data. Delete the e-mail or forward it to the company's fraud department for review. If you are really concerned, call the company directly through numbers listed on their website to confirm that your information has not been compromised.

Passwords

So many passwords for so many sites and devices! Using the same simple password over and over, while easier, can also be dangerous. Some tips for creating effective passwords:

- 1) Each account should have its own unique password.
- 2) Passwords should be at least 8 characters long with a combination of upper and lower case letters and numbers and/or symbols.
- 3) Create a list of passwords for reference and keep them away from your computer.
- 4) There are password generators available online to help you create random passwords.
- 5) There are a number of password managers available to help you. Do your research first before using any of these but they can be useful tools.

Phone Scams

These scams have been around for a while but have been increasing at an alarming rate. The CRA scam has received the most attention recently due to both the frequency that is being reported and the fear it brings to every one of us who files taxes. You receive a phone call, often on your cell phone, from someone claiming to be with CRA. They advise that you are overdue on your taxes and demand immediate payment. They threaten you with arrest unless you immediately go to your bank and transfer money. The cell phone works particularly well as they can

keep you on the phone the entire time while you are going to the bank. Sadly, this has worked many times – people feel threatened, get very scared and are defrauded out of thousands of dollars.

Remember, CRA will NEVER e-mail or call you looking for money. Correspondence is always by mail. If you are contacted any other way hang up and report the call to the police.

One of our own here at Polson Bourbonniere received an e-mail from Air Canada a few weeks ago advising that there was a phone scam making the rounds. They indicated that people were receiving calls offering a prize or vacation from Air Canada. Attempts were then made to collect personal information for fraudulent purposes. Air Canada advised that they never promote by phone and recommended that anyone contacted should hang-up and report the incident to the Canadian Anti-Fraud Centre (CAFC) by phone or online:

Phone: 1-888-495-8501 (PHONEBUSTERS)

Online: Canadian Anti-Fraud Centre

This site is a terrific source of information regarding current scams making the rounds.

Emergency Scams

We want to highlight this particular scam for our clients who are grandparents and are the major target of this ploy. In this case, the scammers go through mail, social networking profiles, etc. to gather information. They then call a grandparent - often in the middle of the night for maximum effect - claiming to be a grandchild who is in trouble. They ask their "grandparent" to send money via Western Union and not tell anyone else in the family for fear of consequences. Unfortunately, this works all too frequently.

There are always going to be people who try to steal from others; the internet, with all of its available information, is making this easier to do. Never let someone intimidate you into sending money or providing personal information by phone or online. Verify first, double check the information, and always report such instances.

Attention all RRIF holders 71 and over

Just a reminder that RRIF rules have changed for 2015 and beyond. Briefly:

1. The minimum percentage that you need to withdraw from your RRIF will be lower in 2016 and beyond, and for some of you this could result in a significant difference in your income.
2. If you're currently drawing the RRIF minimum now, financial institutions will pay the new lower minimum in 2016 unless you choose otherwise. You may well be happy with the lower payout as it will result in a tax saving, but consider the impact on your net cash flow. Should you need to replace some of the RRIF income, we can advise you on the most tax effective way to do this.
3. For the 2015 taxation year, if you've been saving some of your RRIF income, you will be able to 'redeposit', and deduct for tax purposes, the difference between the old, higher minimum payments, and the new, lower amounts. We at Polson Bourbonniere can provide those figures for you if you choose to do so. HollisWealth is accepting RRIF recontributions now, but the deadline is the end of February 2016.

We'll discuss this with you at your next planning meeting. In the meantime, if you wish to discuss this further, feel free to contact your Polson Bourbonniere CERTIFIED FINANCIAL PLANNER® professional.

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