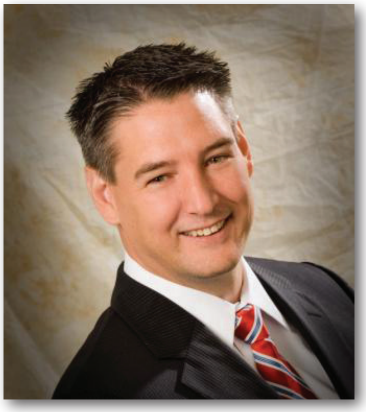
Strategy UPDATE
Issue 46

Escaping to Warmer Weather? Consider Cross Border POAs



Michael Derby, CIM®

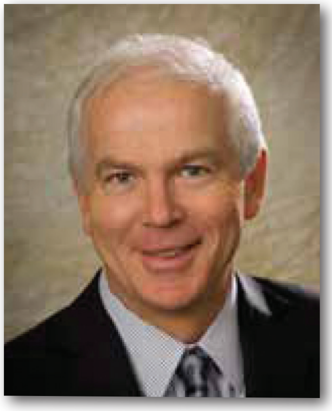
Choosing not to participate in our winter weather is a major financial planning goal for many of our clients. Wintering in Florida or travelling abroad while our health allows is synonymous with quality of life for many. Consider for a moment what would happen if you were to become incapable of making decisions regarding care or property due to an accident or sudden illness while outside of your home province or Canada. Are there power of attorneys in place that would allow someone else to act on your behalf in that jurisdiction?

You may be surprised to learn that few foreign jurisdictions will automatically recognize a POA that was drafted elsewhere. Most provinces and some US states recognize foreign POAs, but issues arise when you actually try to use them. To use two examples, Florida and Arizona have legislation that will recognize POAs, but only from other US jurisdictions. Further complications may arise from local banks and title companies that may require your POA to conform to local law. They may even want their own forms used.

There are efforts being made to achieve harmonization, but a practical solution for a person who spends a great deal of time or owns property in a foreign jurisdiction is to prepare a local POA to avoid delays or expenses in the event they become incapacitated. If you have assets or property in foreign jurisdictions, more attention needs to be paid to incapacity planning.

What's inside

New Ontario Rules for Executors


Paul Bourbonniere, CFP®, CLU, CH.F.C.

Governments have three tools to use if the goal is to raise more tax revenue. They can raise tax rates, broaden the tax base (neither of which is very popular) or they can clamp down on compliance on the payment of an existing tax. Ontario has chosen the last option when it comes to increasing revenues from the Estate Administration Tax (EAT), commonly referred to as the Probate Fee.

New rules in effect for estates created after January 1, 2015 place additional reporting burdens on the estate trustee (executor). The full details are available on the provincial website - http://www.fin.gov.on.ca/en/tax/eat/index.html - but within 90 days of being appointed estate trustee, an Estate Information Return must be filed by the executor. There are specific rules about incomplete or incorrect Returns, and the government has given itself 4 years from the trustee's appointment to challenge the Return's accuracy.

The formula for the Tax is 0.5% on the first $50,000 of assets and 1.5% on the excess of any assets passing through the will. An estate of $1million would thus owe ($250 + .015 x $950,000 =) $14,500.

Assets subject to a beneficiary designation (life insurance, Segregated Funds,TFSAs, RRSPs, RRIFs) or joint ownership do not pass through the will and are not subject to the EAT. The use of tools such as the Alter Ego Trust and the Residence Trust may also reduce EAT exposure.

We at Polson Bourbonniere recommend keeping your estate plans up to date, and the prospect of your executor facing these new requirements may be the impetus to reviewing your current plans. We look forward to working with you and your lawyer to discuss and help design any changes you might wish to make.

Federal Budget Changes to TFSAs and RRIFs

Two items came up in the recent Federal Budget that will be of HIGH importance to clients of Polson Bourbonniere Financial. One was the increase in the annual contribution limit to Tax-Free Savings Accounts (TFSA) from $5,500 to $10,000 effective this year. This is a "no brainer". If you have excess cash in your bank account that is not earmarked for emergencies, or high-interest debt repayment and have maximized your RRSP contributions, take advantage of this.

The increased TFSA limit isn't just for the "wealthy" as the Opposition parties have been claiming. There are many retired, middle income Canadians who live conservatively and don't spend all of their income. There are many young Canadians, just starting their careers, for whom an RSP contribution at their low tax bracket is just not good planning. Stop leaving so much money in low interest bank accounts and get it working for you in a TFSA! Once there it can grow tax-free and you can name a beneficiary (or beneficiaries) where it can pass directly on your death without the costs and delays associated with going through your estate - an often overlooked, but important side benefit of TFSAs!

The second item that will impact retired Canadians is the reduction in the MINIMUM annual amount that must be withdrawn from a Registered Retirement Income Fund (RRIF). For example, at age 72 you will now have to withdraw a minimum of only 5.28% of the value of your RRIF as opposed to 7.38%. In other words, if you don't need the extra cash flow, you can revert to the new lower minimums. And, if you still don't need the income, add your after-tax RRIF payout to your TFSA using the increased contribution limit! Keep in mind that it will take financial institutions some time to rejig their RRIF systems to reflect the lower payout limits. So to accommodate this, you will be able to recontribute and tax-deduct the 2%+ difference between the current minimum and the new, lower minimum payout before the end of February, 2016.

The table below (source: CALU Special Report April 2015) shows the RRIF minimum payout percentages for different ages.

Age (at start of year)	Existing Factor (%)	New Factor (%)
71	7.38	5.28
72	7.48	5.40
73	7.59	5.53
74	7.71	5.67
75	7.85	5.82
76	7.99	5.98
77	8.15	6.17
78	8.33	6.36
79	8.53	6.58
80	8.75	6.82
81	8.99	7.08
82	9.27	7.38
83	9.58	7.71
84	9.93	8.08
85	10.33	8.51
86	10.79	8.99
87	11.33	9.55
88	11.96	10.21
89	12.71	10.99
90	13.62	11.92
91	14.73	13.06
92	16.12 1	4.49
93	17.92	16.34
94	20.00	18.79
95 & over	20.00	20.00

Beyond these two significant announcements, there were some lesser personal tax announcements that apply to more specific situations. Your Polson Bourbonniere CERTIFIED FINANCIAL PLANNER® professional will look forward to advising you on all issues that impact you at your next progress meeting!

Above & Beyond Concert: Rock for SickKids

On Friday, March 6, the Mod Club in Toronto played host to the Above & Beyond Concert: Rock for SickKids. As a major sponsor of the event, the Polson Bourbonniere team were on hand to show support for our very own Ruth Ashton.

Ruth became involved with the Above & Beyond Concert in the latter part of 2014, joining a committee of six professionals (i.e. lawyers, financial advisors, etc.) to organize, promote and perform at the event. The Concert was a five band battle, and to no-one's surprise Ruth and her band, Essential Soul, took top honours. The win was based on fund-raising results as well as voting by attendees.

The bands played to a packed house, and the evening was a rousing success – raising $11,000 for The SickKids' Foundation.

Congratulations on a job well done to Ruth!

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