



Since 1972

Macdonald, Shymko & Company Ltd.

Fee Only Financial Advisors/Portfolio Manager

WEALTH MONITOR

B.C. WILLS, ESTATES AND SUCCESSION ACT (WESA)

A reminder that the new B.C. Wills, Estates and Succession Act (WESA) came into force March 31, 2014. Some of the changes include the following: A Will is no longer revoked by marriage; Courts have the ability to recognize a document as a Will even though the document does not meet all the formal requirements; Courts have the ability to correct a Will if it can be shown that the Will does not meet the Will maker's intention; the rules for Intestacy (dying without a Will) have changed; anyone over the age of 16 can now make a Will in B.C. Note: WESA does not make pre-existing Wills invalid, but as always, it is important to make sure your Will is reviewed periodically and updated as your situation changes.

INVESTMENT MATTERS

Predictability in Markets (theme of article, [In Defense of the Hedgehogs](#), by John H. Cochrane of the University of Chicago Booth School of Business)

Investors may ask, *if stock markets really work, why did the financial crisis happen? Why does economic and financial forecasting not seem to work?* This article reminds investors that the basis for efficient market theory is that current market information is reflected in prices, but it does not say that the future is known. An efficient market should be unpredictable, and many economic events should be unpredictable. If it could be predicted, markets would not work. If markets always went up without risk, then markets would not be working as they should. Volatility in markets is normal. The focus should be on risk management, not forecasting (since events will happen that cannot be predicted).

Hedge Funds

These have received a lot of attention in investing articles over the past 10-20 years, due to spectacular returns for a small portion of these funds. However, a study in *The Economist* in late 2012 tracked performance of the U.S.-based S&P 500 Index versus its hedged fund rival for the past 10 years, and in 9 out of the 10 years the S&P 500 Index outperformed.

FALL 2014



The little money I have - that is my wealth, but the things I have for which I would not take money, that is my treasure.

- Robert Brault

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TAX TIPS

B.C. Surtax: A reminder that there is a temporary surtax in B.C. of 2.1% on income above \$150,000: this increases the highest marginal tax rate to 45.8%. This temporary surtax is supposed to be in place only for 2014 and 2015.

TFSA (Tax-Free Savings Account): A reminder that the 2014 TFSA contribution limit is \$5,500, and we expect the 2015 limit will remain the same.

Prescribed Rate Loans: The rate for the quarter ending December 31, 2014 remains at 1%. Prescribed rate loans can be an effective tool to provide enhanced income-splitting opportunities between spouses. Please be in touch with your advisor if you wish to learn more about this tax reduction strategy.

Charity Auctions/ Donations: If you bid at a charity auction and pay *more* than the retail price for an item, you may be able to claim the *excess* as a charitable donation. This only applies if the retail price is less than 80% of the final bid price. If it meets all the eligibility criteria, the charity can issue a donation receipt for the excess amount paid.

MSC NEWS

- ◆ Congratulations to Gina Macdonald on the birth of her son, Keifer (fourth child), this past June. Gina is expected to return to the office sometime mid-year in 2015.
- ◆ The MSC Foundation once again donated to the Breakfast Program at Sir Guy Carleton Elementary School. This donation of \$2,000 provides funding for the breakfast program, which helps to ensure that children start the school day with proper nourishment. Our donation supplements the funding provided by the Vancouver School Board. The MSC Foundation also donated \$500 to the Avalon Recovery Society, which operates three local facilities that provide help for women recovering from addiction.
- ◆ Upholding our firm's commitment to professional development, some of our advisors attended the annual STEP (The Society of Trust & Estate Practitioners) conference held in Toronto in June. In September, Advisors also participated in the annual IAFP (Institute of Advanced Financial Planners) conference in Calgary, the Canadian Tax Foundation's BC Tax Conference, and other local seminars.
- ◆ Congratulations to Clayton Brown who recently earned the CIM (Chartered Investment Manager) designation.
- ◆ MSC Advisors were quoted in the following *Globe and Mail* Financial Facelift articles:
 - ◇ March 7, 2014 – "[Supermom Wants to Go It Alone](#)" (Gina Macdonald)
 - ◇ April 4, 2014 – "[Where Should Couple Allocate Extra Money?](#)" (Ngoc Day)
 - ◇ May 16, 2014 – "[B.C. Couple Eye Overseas Careers \(but First, a Home Reno\)](#)" (Ian Black)
 - ◇ July 4, 2014 – "[No Company Pension, a Tight Budget \(and a Willingness to Keep Working\)](#)" (Keith Copping)
 - ◇ August 15, 2014 – "[Career Change at This Stage Could Swamp Retirement Goals](#)" (Ian Black)

You can monitor our MSC website or MSC Facebook site to keep up-to-date on our latest news and articles.

U.S. BORDER ISSUES - TAX UPDATES

As of July 1, 2014, the Canadian and U.S. Border agencies have a unified system in place to track the number of days Canadians spend in the U.S. (or vice versa). Until now, each country tracked the *entry* dates for travellers, but not *exit* dates and, therefore, each country did not know how many days individuals spent within its borders. With the new system, they will be able to quickly track the total number of days an individual is within its border per year. For individuals that spend a significant number of days in the U.S., there could be serious consequences.

An article by Roy Berg for Moodys Gartner Tax Law, *Canadian Snowbirds Beware!...*, highlights some of the potential issues:

1. A ban on travel to U.S. if unlawfully present
2. Liability for U.S. income tax on worldwide income
3. Liability for U.S. estate tax on fair market value of assets
4. Liability for Canadian departure tax
5. Loss of provincial health care coverage

From a *Tax Law* perspective, the maximum limit is generally noted as 183 days in the calendar year. However, the IRS's formula for calculating the maximum days in the U.S. includes days spent over a 3-year period. Individuals regularly spending more than 120 days in the U.S. annually may be required to take extra steps (filing a tax election form with the IRS, etc.). It is important to seek professional advice if your situation may warrant further review.

From an *Immigration Law* perspective, there is a nuance that you should be aware of as part of your planning. The maximum number of days you may be present in the U.S. should generally not exceed 180 and this is in a *rolling 12-month period* (not the calendar year). Short return trips back to Canada may not re-set the clock if part of a longer-term vacation (e.g., returning to Canada to visit family at Christmas during a 6-month Palm Springs rental). Should you be found to be unlawfully present in the U.S. from an immigration perspective, you could be barred entry by a border guard for a 3-year period. Certainly, once again, you should seek professional advice if further review is warranted.

The full article can be found at: <http://www.moodysgartner.com/canadian-snowbirds-beware-2014-border-crossing-rules-increase-stakes-for-day-count>

There is a new U.S. Homeland Security website available to track your days in the U.S. (individuals will need their passport information in order to access their personal travel records):
<https://i94.cbp.dhs.gov/I94/request.html>

ODDS & ENDS

ESTATE PLANNING

As noted in our Fall 2012 newsletter, estate planning now requires consideration of many virtual items (digital assets such as accounts with Facebook, Gmail, LinkedIn, Apple, as well as accounts holding cash such as PayPal or online bank Tangerine, formerly ING Direct). Executors typically run into challenges trying to deal with these items as the terms of use/privacy guidelines set by many of these companies restrict access. Some companies are taking steps to address these issues. Google now has an estate planning tool (Inactive Account Manager) that allows users to set the terms for how the accounts are handled if they become inactive for a specified period of time. Facebook will allow profiles to be closed if the Executor emails them with required information, but getting access to account content may not be possible.

Online-only banking accounts cause Executors complications not only in

locating these accounts, but then finding the proper access information.

PENSION PLAN FUNDING

Mercer monitors the funding status of defined benefit pension plans, and there was a significant improvement in funding levels in 2013. Their Pension Health Index is only based on a theoretical model, but it suggests that pension funding has improved from a funding level of approximately 76% in May 2012 to 106% in December 2013. Underfunded employer pension plans have been a major concern since the financial crisis in 2008, but the situation has been improving, mostly due to strength in equity markets.

IRATE OVER TAXES?

Feel like you pay too much in tax? An article in *The Globe and Mail* ([Irate over Taxes? See How Canada Ranks...](#) by Michael Babad, April 11, 2014)

looks at an OECD study comparing the average tax burden for countries. Canada ranks 26th out of 31 countries in the survey, with tax on the average work income at 31.1% (this is well below the average of 35.9% in the countries surveyed). The figures include taxes, social security, payroll levies, etc. The highest tax level in the survey was Belgium at 55.8%!

Online Bill Payments

A reminder that MSC clients can pay their MSC bills online: this can be set up with their financial institution's online "bill payment" option. The Payee is listed under Macdonald, Shymko & Company Ltd., while the Account Number will be in the format of MSC0000 (which can be found at the top right of your invoice).

THANK YOU FROM MSC



MSC celebrated its 42nd anniversary this past May. We are a client referral-based firm and we appreciate and thank you for referring your family, friends and coworkers to us.

Please feel free to send this newsletter to others you think may benefit from a Fee Only Financial Planner. Our newsletters can also be viewed on our website:

www.macdonaldshymko.com/financial-resources/articles-and-newsletters



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