



Since 1972

Macdonald, Shymko & Company Ltd.

Fee Only Financial Advisors/Portfolio Manager

WEALTH MONITOR

ESTATE & FAMILY MATTERS

The B.C. Wills, Estates and Succession Act (“WESA”): WESA was to be implemented in Spring 2013, but will now come into force March 31, 2014. The WESA will update the guidelines for Probate, Wills Variation, and overall Estate administration (it will repeal and replace the *Estate Administration Act*, the *Probate Recognition Act*, the *Wills Act*, and the *Wills Variation Act*).

New B.C. Family Law Act: The new B.C. Family Law Act came into force March 18, 2013. This Act covers a wide variety of legislation, including care of children, family violence, approaches to resolving disputes and division of assets. Unmarried spouses (defined as living in a marriage-like relationship for at least two years) will now have the same property rights as married spouses and may share in property and debt. A Cohabitation Agreement may help to address these issues. The new legislation also aims to provide greater clarification on *family property* (acquired during the relationship) and *excluded property* (pre-relationship property/inheritances) and the division of property. Excluded property may not be included as property subject to division, although any increase in value of these assets during the relationship would be considered family property.

Testamentary Trusts: Proposed Changes to Tax Rates:

A Testamentary Trust arises as a consequence of an individual’s death, including the deceased’s Estate and the Testamentary Trusts created by a Will. The current tax legislation allows a Testamentary Trust to compute its income based on graduated tax rates available to individuals; furthermore, when a deceased person’s Will created multiple Testamentary Trusts, each Trust enjoys the graduated tax rates which allows the beneficiaries of those Trusts to access more than one set of graduated tax rates.

Our firm has brought this discussion to our clients, when appropriate, to achieve tax planning for their Estates. The Department of Finance now points out that this negatively affects government tax revenue and questions the fairness of this tax treatment for Testamentary Trusts. The Government announced in the 2013 Budget its intention to eliminate the tax benefits arising from income tax at graduated tax rates for Testamentary Trusts, and is inviting comments from stakeholders on the proposed measures.

We expect that STEP (Society of Trust and Estate Practitioners) will be vigorously participating in the discourse.

SUMMER 2013



Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.

~ Ayn Rand

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TRAVEL MEDICAL INSURANCE

(*Hefty Medical Bills Rejected By Travel Insurance Firms* - January 7, 2013 article by Kathy Tomlinson, *CBC News*). Be careful when completing applications/answering medical questions for Travel Medical Insurance. Claimants are often surprised when their claims are denied. Ms. Tomlinson highlighted some examples of seniors that had their claims denied; the Insurance companies argued that they did not fully disclose all prior medical issues. The claimants felt they answered all the questions truthfully and provided adequate disclosure, but when the Insurance company reviewed the claims and their past medical history, they denied the claims based on inadequate disclosure or misrepresentation. Even if the insurance claim is for an unrelated health issue, the claims may be denied.

To assist you with answering the medical questionnaire accurately and thoroughly, it is advisable to speak with the Insurance Broker when you are purchasing the policy.

MSC NEWS

- ◆ Congratulations to Gina Macdonald on the birth of her son, Alastair (third child), on October 23, 2012. Gina is expected to return to the office on November 1, 2013.
- ◆ MSC Advisors were quoted in the following *Globe and Mail* Financial Facelift articles:
 - ◇ October 1, 2012 – “[Forget the Cottage and Focus on Retirement Savings](#)” (Gina Macdonald)
 - ◇ November 23, 2012 – “[Jobless In Vancouver: Can Frugal Woman Retire For Good?](#)” (Ian Black)
 - ◇ March 1, 2013 – “[Mortgage-Free and Dreaming of More Space](#)” (Keith Copping)
 - ◇ March 1, 2013 – “[One Couple’s Four-Year Race to Retirement](#)” (Brinsley Saleken)
 - ◇ July 12, 2013 – “[Illness Spurs Dreams of Retirement](#)” (Ian Black)



ESTATE & FAMILY MATTERS (CONTINUED FROM PAGE 1)

Loyalty Points: Don’t Waste This Overlooked Asset: June 27, 2013 article by Rob Carrick, *Globe and Mail*. This article highlights that few people are aware that the points and miles with some of the major loyalty rewards programs can be transferred at death, subject to restrictions. This applies to programs such as AIR MILES, Aeroplan, WestJet, HBC Rewards, etc. If you have significant benefits under these programs, it may be worthwhile to make note of these in your Will, or at least ensure that the Executor will be aware of these programs so he/she can try to transfer the rewards to the beneficiaries.

FEDERAL BUDGET 2013 - TAX UPDATES

- **Changes to Dividend Tax Credits (DTC) for Non-Eligible Dividends:** This measure will apply to non-eligible dividends paid after 2013. The Budget proposes to adjust the current DTC and gross-up factor applicable to non-eligible dividends in an effort to achieve better integration. As a result, the effective federal tax rate on non-eligible dividends will increase from 19.58% to 21.22%.
- **Donor Super Credit for First-time Donors:** A temporary credit (until 2018) adds 25% to the existing tax credits, resulting in a tax credit rate of 40% on the first \$200 of donations (versus 15%) and 54% on the next \$800 (versus 29%), for total donations up to \$1,000. The objective is to encourage charitable donations from new donors, with “first-time” donors defined as no donations claimed since 2007.
- **Foreign Reporting Requirements:** CRA is updating the requirements for disclosure of foreign assets/income and have updated the “T1135 Foreign Income Verification Statement” form that is filed with the annual tax returns. For 2013, they will be requesting more detailed disclosure of foreign assets. This increased focus reflects the global trend for governments to identify persons/corporations with offshore assets and unreported income, with the goal of taxing these income sources. CRA is also in the process of developing a system that would allow for the electronic filing of form T1135.
- Small business owners may benefit from the increase in the Lifetime Capital Gains Exemption from \$750,000 to \$800,000.
- Annual fees for Safety Deposit Box rentals will no longer be deductible for income tax purposes.

B.C. BUDGET 2013 - TAX UPDATES

- **Personal Income Tax Rates:** Commencing January 1, 2014, the government is proposing a temporary two-year increase in the personal income tax rate applicable to individuals earning more than \$150,000 a year. For 2014 and 2015 only, the top tax rate will increase by 2.1% from 14.7% to 16.8%, before reverting back to 14.7% in 2016.
- **Top Charitable Donations Tax Credit:** The government has stated that the tax credit rate on donations over the \$200 threshold will be maintained at 14.70%, in spite of the temporary increase in the top provincial personal income tax rate, from 14.7% to 16.8%, for the 2014 and 2015 tax years.
- **B.C. Early Childhood Tax Benefit:** The B.C. Early Childhood Tax Benefit, the new personal tax credit introduced in the February 19, 2013 budget, will provide up to \$660 a year for children in B.C. under the age of six to assist with the cost of child care. The tax credit will be available in 2015 for families with incomes of less than \$100,000 per year. Those with family incomes between \$100,000 and \$150,000 a year will be eligible for partial payments.
- **B.C. Training and Education Savings Grant:** The government has reaffirmed its commitment to providing a one-time B.C. Training and Education Savings Grant of \$1,200 to families with a child under the age of seven who meet basic residency requirements. Once the child turns six and enters elementary school, the funds will be transferred to the child’s Registered Education Savings Plan (RESP).

CONDO OWNERS: CHECK YOUR INSURANCE POLICIES

Condo Owners Advised To Check Their Insurance Policies - October 1, 2012 article by Zoe McKnight, *Vancouver Sun*.

There has been an increasing trend for Strata Councils to change their bylaws to specify that the owner of an individual unit is responsible for the entire deductible amount on the Strata Corporation's insurance policy if damage in their unit results in damage to other parts of the building, even if there is no negligence involved.

Some owners have their own unit policy that covers a portion of the deductible on the Strata Corporation's policy, but may be shocked to discover they must pay the entire deductible on the Strata Council's insurance policy, when they try to make a claim for a problem within their unit. Strata Councils are increasingly choosing larger deductibles to reduce insurance premiums for the overall building or Insurers are requiring higher deductibles due to multiple claims, resulting in deductibles that may be \$100,000 or more!

It is suggested that when purchasing insurance, unit owners should ensure their own unit insurance covers the entire strata deductible and complements their building's policy and strata bylaws.

With all types of insurance, it is vitally important that you consult with your Insurance Agent to ensure you have the proper coverage for your situation. When a problem arises, your insurance policy is there to offer you peace of mind.

CANADA REVENUE AGENCY (CRA)

The Canada Revenue Agency (CRA) may request reviews of tax returns where they require clarity or additional support documents. Should you receive a request from CRA related to your tax return filing, it is advisable that you contact your Advisor first to discuss the request and related issues before responding to CRA.

Payments to CRA: As of October 1, 2013, all CRA branches across Canada will no longer have cashier wickets to accept payments. Payments can be deposited into the drop box at a CRA branch.

Current payment alternatives are:

- Mail in cheque to CRA.
- Online banking from your bank account: in the list of *payees*, look for *The Canada Revenue Agency, Revenue Canada, Receiver General*, etc. Make sure you correctly identify the type of account,

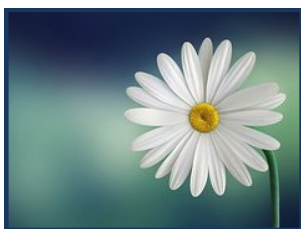
Social Insurance Number or Business Number, and reporting period or tax year of your payment.

- Personally at your financial institution with an original personal CRA remittance voucher.
- Via *My Payment*: Individuals and businesses that bank with a participating Canadian financial institution can make payments using *Interac*® Online right from the CRA website. Your transaction total is subject to your daily or weekly limit as determined by your financial institution. For more information: <http://www.cra-arc.gc.ca/mypayment/>

ODDS & ENDS

- **TFSA:** The 2013 contribution limit is \$5,500 (increased from \$5,000 in 2012).
- **Prescribed Rate Loans:** The rate for the quarter ending September 30, 2013 remains at 1%. Prescribed Rate Loans can be an effective tool to provide enhanced income splitting opportunities for spouses.

THANK YOU FROM MSC



MSC is a client referral-based firm and we thank you for referring your family, friends and coworkers to us. We appreciate our clients' ongoing loyalty and trust in our services; we are fortunate to have many long-term client relationships that have continued for decades, some more than 35 years!

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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