



Since 1972

Macdonald, Shymko & Company Ltd.

Fee Only Financial Advisors/Portfolio Manager

WEALTH MONITOR

TRUST CHANGES

The Department of Finance has been reviewing tax issues relating to Trusts in recent years and changes are now coming into force as of January 2016. Examples of the changes include the following:

- **Testamentary Trusts:** It is fairly common for individuals to have a clause in their Wills that allocate all or portions of the Estates to a Testamentary Trust (for spouse, children, etc.). One of the benefits with this strategy has been the potential tax savings since the Trust income would be taxed at tiered rates, versus the beneficiary receiving all the extra income in addition to his own personal income (with higher overall tax rates). The changes will result in the income in the Testamentary Trust being taxed at the highest marginal tax rate (no tiered rates). While there are still other benefits with the use of Testamentary Trusts, tax planning was a major benefit of the strategy. Another change is that all Testamentary Trusts (and Estates that have been in place for 36 months) will have to convert to a calendar year-end (December 31st) if they do not already have this in place; this will result in two tax filings for 2015.
- **Spousal, Alter Ego and Joint Partner Trusts:** Effective January 1, 2016, the death of a Spouse Beneficiary in a Spousal Trust, or the death of a Settlor in a Alter Ego Trust, or the death of a survivor of the Settlor and his spouse in a Joint Partner Trust, will trigger a “deemed year-end” for the Trust. This will result in the Trust income and capital gains triggered as a result of the death to be taxed in the Terminal Return, not the Trust.
- **Testamentary Charitable Giving:** There will be more flexibility to choose how to claim donations that occur at death, either made by a Will or by a designation charitable donation (such as donating a RRSP to a charity). Currently, these donations can only be claimed on the personal tax return (either the Terminal Return or the preceding year). However, there will now be the option to claim this in the Estate (either in an earlier tax year for the Estate, or the year the donation is made), or in the two years preceding death. New rules will apply to deaths occurring on or after January 1, 2016.

WINTER 2015



Our incomes are like our shoes; if too small, they gall and pinch us; but if too large, they cause us to stumble and to trip.

- John Locke

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MSC IN THE PRESS

MSC Advisors were quoted in the following articles:

October 31, 2014 – *The Globe and Mail* Financial Facelift – [“Can This Couple Save For a Wedding, Repay Debt, Plan a Family and Retire?”](#) (Ngoc Day)

November 7, 2014 – *Money-Sense* – [“How to Establish a Scholarship Fund – Can This Couple Make their Dream of Creating a \\$200,000 Endowment Fund a Reality?”](#) (Ian Black)

November 28, 2014 – *The Globe and Mail* Financial Facelift – [“Young Family Craves Vacation Retreat, But Should They Wait?”](#) (Keith Copping)

January 9, 2015 – *The Globe and Mail* Financial Facelift – [“A Road Map to Early Retirement For These Small Business Owners”](#) (Brinsley Saleken)

January 12, 2015 – *The Globe and Mail* Globe Investor – [“American Expats in Canada Who Sell Their House Might Face IRS Taxes”](#) (Larry Jacobson)

February 10, 2015 – *The Globe and Mail* Retirement Advice – [“Is It Time to Hire a Pro to Manage Your RRSPs?”](#) (Ngoc Day)

**You can monitor our
MSC website or
Facebook site to read
our latest articles.**

MSC NEWS



- ◆ **The MSC Foundation** donated \$5,000 to **Ronald McDonald House BC**. They recently built and opened a new facility next to BC Children’s Hospital in Vancouver, and are well on their way to raising the \$31 million goal with the ongoing capital campaign. The new facility has 73 rooms available to provide a temporary home for families that have children receiving medical care in the Hospital. The facility opened July 2014 and will serve an estimated 2,500 families each year. It is owned and operated by the Children’s Family House Society of BC, an independent, Board-directed, non-profit organization. Keith Copping delivered the donation on behalf of the MSC Foundation, had a tour of the building, and was very impressed – what a terrific facility to help these families! They are still fundraising for this project and welcome your donations; for more information please visit their website at www.rmhbc.ca.
- ◇ The foundation also donated \$500 to the Vancouver Opera.
- ◆ **Doug Macdonald** was one of 191 members with over 25 years of service recognized by The Certified Management Accountants Society of British Columbia for their extraordinary service to the profession. Doug has held his CMA designation for 40+ years.
- ◆ Our Accounting Manager, **Donna Fonseca**, has been with MSC for 20 years! We thank her for her contributions to the MSC team over the years. Most recently she has helped us transition to a new accounting software system. Donna has also had a busy year outside of work (and continues to) with both her daughters getting married. Congratulations Donna!
- ◆ MSC welcomes **Charles Chandler** to our team. Charles is a graduate of UBC with a Bachelor of Commerce Degree. He has joined us as a professional assistant and will be working alongside our advisors to provide back-up support, and helping us with our new Portfolio Management system. Outside of work, Charles keeps busy with interests in hockey, outdoor activities, environmental sustainability, and is currently studying for his Level 2 CFA (Certified Financial Analyst) designation.

TAX UPDATES

- **FAMILY TAX CUTS:** Tax items proposed by the federal government in October 2014 are as follows:
 - 1) **Income Splitting for Parents:** The proposal would allow couples with children under 18 to transfer up to \$50,000 of income from one spouse or partner to the other to take advantage of lower tax rates; the potential federal tax savings is capped at \$2,000 (non-refundable tax credit) starting with the 2014 tax filing.
 - 2) **Universal Child Care Benefit:** The proposal would increase the benefit from \$100 to \$160 per month (\$1,920 per year) for children under age 6. The proposed changes also include a new Universal Child Care Benefit of \$60 per month (\$720 per year) for children aged 6 to 17, but this will replace the Child Tax Benefit (a non-refundable tax credit that provided tax savings of up to \$338 per child under 18).
 - 3) **Child Care Expenses:** Effective 2015, increase the maximum annual limits for the Child Care Expense Deduction by \$1,000 to \$8,000 per year for children under age 7, and \$5,000 per year for children aged 7 to 16. This deduction must generally be claimed by the lower-income spouse and is based on the least of: the actual amount paid for eligible child care expenses, the annual limit (based on the child's age), or two-thirds of the lower-income taxpayer's earned income.
 - 4) **Children's Fitness Tax Credit:** The federal government stated that they will double the Children's Fitness Tax Credit in 2014, and in 2015 this will also become a refundable tax credit. The eligible amount of expenses for the credit will increase from \$500 to \$1,000 per child with these changes; children must be under 16 years of age (or 18 if the child is eligible for the Disability Tax Credit).
- The maximum annual RRSP contribution limit for 2015 is \$24,930. (The maximum annual RRSP contribution limit for 2014 is \$24,270). Note: To confirm your *personal* RRSP contribution room limit for 2014, you can refer to your Notice of Assessment. The deadline for contributions is March 2, 2015 for eligible deductions in 2014.
- A reminder that the 2015 TFSA (Tax-Free Savings Account) contribution limit is \$5,500.
- **2014 Tax Returns:** We will be sending our clients the annual income tax preparation checklist to help organize the material for your personal income tax returns. A reminder for clients that currently prepare their own personal tax returns: you have the option to have MSC prepare the annual tax returns or review your draft before submission.

ODDS & ENDS

B.C. PROPERTY TAX DEFERMENT

A reminder that eligible property owners may be able to defer their annual property taxes on their principal residence (low interest rate loan program). The regular program eligibility for property tax deferment applies to: homeowners age 55 or older; a surviving spouse of any age; a person with disabilities. The current interest rate that applies under the regular program is 1% (simple interest). There is also a *Families with Children Program* for property tax deferment: qualification factors include financially supporting a child under age 18, or children attending college, university, etc., or children with disabilities. The current interest rate is 3% for this program.

If you feel this approach might make sense for your situation you can certainly contact your financial advisor to discuss this further.

PROTECTING YOURSELF AGAINST IDENTITY THEFT

Canada Revenue Agency (CRA) does not ask for personal information of any kind by email. We have received calls from clients who have received emails that *appear* to be sent from CRA asking for personal financial information, with the promise of tax refunds. While these emails may look authentic, CRA does not make such requests by email, and these emails may be scams to steal your personal or financial information.

PRESCRIBED RATE LOANS

The rate for the quarter ending March 31, 2015 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 planning strategy.

ONLINE MSC 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).

If you would prefer to receive your invoice via email instead of mail, please contact your advisor to request this change.

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 40 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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