An historic celebration, Moonlight Gala 2017 marked the meeting of three important anniversaries: Canada's 150th birthday, the commemoration of Tom Thomson's passing 100 years ago, and the conclusion of the McMichael's 50th anniversary.

From left to right: Ken Shaw (Co-anchor, CTV news), Tina Tehranchian (Chair, McMichael Moonlight Gala 2017), and Ian Dejardin (CEO, McMichael Canadian Art Collection)

Each year the Moonlight Gala raises much-needed funds for the McMichael's permanent collection, ensuring that the McMichael continues to thrive for decades to come. As the only art gallery devoted to collecting Canadian art, the renowned McMichael's permanent collection includes works by some of Canada's most iconic artists, including Tom Thomson and the Group of Seven.

"It has been a great pleasure and honour for me to chair this historic Moonlight Gala for the McMichael," said Gala Chair, Tina Tehranchian. "I am deeply grateful to our sponsors, who have made the gala such a great success, and to our outstanding committee, Kim Good, and the awesome development team at the McMichael. What makes this gala extra-special for me is the fact that the Assante Wealth Management Group of Seven Wealth Advisors have formed a record-setting partnership with the McMichael. I thank my Assante colleagues and the executive management team at Assante for their generous support of the McMichael Canadian Art Collection," added Tehranchian.

Guests of Moonlight Gala 2017 were wowed by a culinary extravaganza and spectacular performances by leading Canadian artists Rik Emmett & the Guitar Circle (Dave Dunlop, Calum Graham, Brooke Miller, Don Ross and Emma Rush), the dynamic Montreal Rhapsody Orchestra, and a special ensemble by five of seven world-renowned guitar makers from The Group of Seven Guitar Project exhibition.

This year's record-breaking Gala helps the McMichael continue to share The Art of Canada* through important exhibitions such as the upcoming Passion Over Reason: Tom Thomson and Joyce Wieland show, opening on Canada Day 2017.

The McMichael Canadian Art Collection, located at 10365 Islington Ave. in Kleinburg, Ontario, is an agency of the Government of Ontario. For more information, visit www.mcmichael.com.

From left to right: Steve Donald (President, Assante Wealth Management), Jane Donald, Ian Dejardin (CEO, McMichael Canadian Art Collection)

ABOUT THE EDITOR

Tina Tehranchian MA, CFP, CLU, CHFC, is a Branch Manager and Senior Financial Planner with Assante Capital Management Ltd., one of Canada's largest wealth management firms, offering integrated financial solutions to create wealth and prosperity for you and your family. The 750 advisors serve over 300,000 Canadian families across the country and take pride in the exceptional service they offer to clients through trusted face-to-face relationships and a level of service excellence second to none. Money Matters is published as a special service for clients of Tina Tehranchian.

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"Moonlight Gala 2017 has raised in total over $675,000 toward the conservation and preservation of more than 6,000 Canadian artworks in the McMichael's permanent collection."

July to September 2017

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WHAT YOU SHOULD KNOW ABOUT POWER OF ATTORNEY

An important aspect of your estate planning and risk management is considering who will take care of financial matters on your behalf when you are no longer capable of doing so. The person that you chose to hold your power of attorney (POA) is a critical component of your estate and risk management planning.

Your POA will affect your quality of life while you are still alive. Therefore, you need to give your decision regarding your choice of POA the weight that it deserves

What is a POA?

A POA is a document through which a person (the "grantor") gives someone else (the attorney) the authority to manage the grantor's affairs. A POA document, which should be drawn up by your lawyer, can be created to deal with your finances and property, or to deal with your personal care and health decisions.

As estate matters are governed by provincial and territorial legislation, the laws governing POA vary by jurisdiction. With some restrictions, anyone can be named an attorney (the person holding a POA). However, most people choose a family member or a trusted friend. You can also grant a trust company POA for your finances but not for your health.

For financial matters, you can create a 'general" POA, which allows the person holding the POA to act on your behalf for a limited time while you are still capable (e.g. to take care

continued ▶▶▶

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Fellow of FPSC ™
Branch Manager
Senior Financial Planner

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"The person that you chose to hold your power of attorney (POA) is a critical component of your estate and risk management planning."

of a financial transaction during your absence). You can also create a “continuing” power of attorney, that allows the person holding the POA to act on your behalf after you become incapable. You can specify in the POA document the time or condition under which you wish the POA to become effective.

The POA is a very powerful document as the holder of your POA can essentially do anything you can do from a financial standpoint, subject to any limitation in the POA document. If there are no restrictions in the POA document, your POA holder can pay your bills, manage your investments, buy and sell properties for you and withdraw money from your bank accounts.

Choosing Your POA Holder

Since your POA holder can wield great power over your finances, you should take extra care in choosing the right person.

Your POA holder should not only be absolutely trustworthy, but should have the time, availability and willingness to assume this role. Keep in mind that the person you grant a POA has the option to decline the role. Therefore, you should discuss the matter beforehand with the person you have in mind to make sure they are willing and able to take on this responsibility.

It would be helpful if your POA holder has a reasonable level of financial acumen to be able to perform the role. Your POA holder is also required to act in your best interest and not to comingle his/her personal assets with yours, and needs to keep good records, as beneficiaries of your estate can hold your POA holder accountable. If breach of duty is discovered, the POA holder may be held liable.

Keep practicality top of mind when choosing a POA holder. The residency of your POA holder is an important factor. A POA Holder who lives far away, will need to incur travel expenses and time off from work and family to tend to your affairs and this may make it impossible for them to take on the role when needed. Also, you should avoid appointing a POA holder who is not a Canadian resident. For example, U.S. securities legislation may mean a Canadian advisor cannot accept trading instructions from a POA holder who resides in the U.S.

You should also name an alternate POA holder who can step in, in case your POA holder is not willing or able to act. If your POA holder is about the same age as yourself, it is a good idea to choose an alternate POA holder who is younger in age.

You can name more than one POA holder but that could complicate the decision-making process if they end up disagreeing with each other. If you want to choose multiple POA holders, make sure you include a decision-making mechanism and a way to break a deadlock in your POA document.

If you decide to name only one of your children as your POA, make sure you discuss this decision and your reasoning for it with your other children to maintain family harmony.

If you do not have a family member or friend who could take on the POA for you, you can name a trust company as the POA holder. This offers professional management and impartiality but there may be significant fees associated with appointing a corporate trustee. This could still be a worthwhile option if the estate is large or complex.

Keep in mind that your POA holder is eligible to be reimbursed for the costs related to the management of your affairs. If you wish your POA holder to be compensated for their role, you should include wording to that effect in your POA document. In the absence of such wording, the POA holder has the option to apply to a court for reasonable compensation. In either case, before the POA holder can take compensation from your assets, court approval will be necessary.

While you can use the Power of Attorney kit available on the Ministry of Attorney General’s web site (https://www.attorneygeneral.jus.gov.on.ca/english/family/pgt/poakit.php) to create your POA, you should only do this as a stop gap measure until you get to see your lawyer to update your will and POA. A POA document is often created at the same time as a will as part of your estate planning strategy. It is best to have an estate planning lawyer draw up your POA to ensure that it conforms with your wishes and to avoid costly legal mistakes and headaches down the road.

TAX AND ESTATE PLANNING BENEFITS OF FAMILY TRUSTS FOR BUSINESS OWNERS

Wealthy families have been using family trusts to reduce their taxes, preserve their wealth and transition it to the next generation for years.

Family trusts can arise upon death (testamentary trusts) or can be inter vivos (used while alive). In both cases they can provide significant tax benefits for families that establish them. Here we are going to explore the tax benefits of inter vivos family trusts.

The Three Main Parties to a Trust

Any trust, including a family trust, requires three main parties. These include a settlor, trustee(s) and beneficiary(ies).

The settlor is the person who establishes the trust and contributes the first asset. A trust can be established with a nominal contribution such as $100.

The trustee is the person who manages and administers the assets of the trust on behalf of and for the benefit of the beneficiary.

The beneficiary is the person who benefits from the income and capital of the trust.

The roles of the settlor, the trustee and the beneficiary are stipulated in the trust deed.

Tax Benefits of Family Trusts

A family trust can be used for the following purposes:

1- Passing on a business to the next generation in a fair manner.
2- Income splitting by paying dividends to each of the children of the business owner, as well as to the business owner.
3- Ensuring that the business owner maintains control over the business until the children are ready to run the business.
4- Protecting the interest of each child in the business from future potential claims by creditors as well as potential spousal claims.

“A family trust can be a valuable tax planning tool for wealthy families and business owners to reduce their taxes and achieve their succession planning and estate planning objectives.”

5- Effecting an estate freeze by locking in the tax liability on the growth of the business at the time the estate freeze is implemented and transferring the future growth to the children of the business owner.

Role of the Family Trust in an Estate Freeze

An estate freeze can be done with or without a family trust. However, using a family trust, can help ensure a fair distribution of business assets, provide an opportunity for the business owner to split dividend income with the children, and protect the children's interest from future spousal or creditor claims (especially if the trust is fully discretionary).

In an estate freeze using a family trust, typically there is an operating company that is owned by a holding company (usually a numbered company). All common shares of the holding company are owned by the family trust.

The business owner will own 100% of the voting preferred shares of the holding company, which allows him/her to retain control of the business. This will also transfer future growth of the business to their children.

The children will be the beneficiaries of the family trust, with the business owner acting as trustee. If the trust is fully discretionary, the business owner can retain control of the business and make decisions about business operations and declaration of dividends, as well as the allocation and distribution of income to the children.

This can be especially valuable if one or more of the adult children have no other sources of income, as the business owner can pay them tax-free dividends. Assuming that the child has no other income or deductions other than the basic personal amount and dividend tax credit, these tax-free dividends could range from $14,360 in P.E.I to $33,305 in Ontario.

Another benefit of doing an estate freeze by using a family trust is that the future growth of the business will be attributed to the common shares held by the family trust. This will allow the lifetime capital gains exemption of each of the beneficiaries to be used to shelter future capital gains from taxation.

Using the Family Trust for Tax Smart Investing

If the business owner has minor children and has accumulated cash in a non-registered portfolio, he/she can establish a family trust and be the trustee of the trust and name his minor children and his/her spouse as equal beneficiaries of the family trust. Then he can lend money to the trust through a prescribed-rate loan. The trust can then invest the cash proceeds of the loan in a balanced portfolio.

The trust must pay the annual interest on the loan to the business owner no later than January 30th of the year following the year the interest accrued. As of June 30th 2017, the interest rate on prescribed loans was only 1% per year. Therefore, as long as the balanced portfolio can earn more than 1% per year this strategy can be beneficial for saving taxes.

The business owner must claim the prescribed-rate loan interest as taxable income on his tax return. The interest payment is deductible from the family trust's income and the net income can be allocated or paid to the beneficiaries. This will result in the income being taxed in the hands of the beneficiaries with little or no taxes payable.

Since in this case the beneficiaries of the trust are all minor, by using the family trust structure and lending the money necessary for investment directly to the trust, the income and capital gains earned on the invested funds are not attributed back to the business owner, resulting in significant tax savings.

If the business owner were to earn the portfolio returns directly his taxes would likely be significantly higher as he is in a much higher tax bracket than his minor children (who may earn little or no income). Most probably over time, the taxable returns on the balanced portfolio would be higher than the 1% interest rate on the prescribed loan.

This strategy also allows the business owner to retain control of the assets, make the investment decisions and determine the allocation and distribution of income to the beneficiaries of the trust.

Budget 2017 and Possible Impact on Family Trusts

Federal Budget 2017 indicated that several tax planning strategies related to private corporations would be reviewed. Two strategies under review that would directly affect tax planning using family trusts include:

1- Income sprinkling – the payment of dividends from a private corporation to shareholders who are family members of the original owners.
2- Holding of a passive investment portfolio within a private corporation.

Therefore, any type of legislative changes with regards to the above two strategies would affect the tax planning strategies discussed in this article and need to be taken into account before considering these strategies.

Conclusion

A family trust can be a valuable tax planning tool for wealthy families and business owners to reduce their taxes and achieve their succession planning and estate planning objectives. Implementing tax planning strategies using family trusts can be complicated and you should discuss your options with your tax and financial planning advisors to determine their suitability for your individual circumstances.

SIXTH ANNUAL MOONLIGHT GALA MOST SUCCESSFUL TO DATE FOR THE MCMICHAEL CANADIAN ART COLLECTION KLEINBURG, ON — The McMichael Canadian Art Collection is excited to announce that its signature fundraising event – Moonlight Gala 2017 – has raised in total over $675,000 toward the conservation and preservation of more than 6,000 Canadian artworks in the McMichael's permanent collection. Presented by Assante Wealth Management Group of Seven Wealth Advisors, the sold-out event on Saturday, June 3, 2017, hosted 700 guests and took place on the McMichael's spectacular grounds, which were transformed into a glamorous outdoor party for an evening of dining and dancing under the stars. CTV News Toronto co-anchor Ken Shaw hosted the evening.

"Another benefit of doing an estate freeze by using a family trust is that the future growth of the business will be attributed to the common shares held by the family trust. This will allow the lifetime capital gains exemption of each of the beneficiaries to be used to shelter future capital gains from taxation."