



**Assante**<sup>®</sup>  
WEALTH MANAGEMENT

*Be well-advised.*

# MONEY *matters*

## HOW WILL THE FEDERAL BUDGET AFFECT YOU?

As you know, Finance Minister Jim Flaherty delivered his federal budget on February 11 in Ottawa.

Here's a quick overview of the most important factors in the budget that you should take note of.

Unlike prior years, the 2014 budget did not have any major changes that impact the majority of Canadians. There were no major alterations of tax rates, or alterations to contribution rates for major programs like the RRSP, RESP, RDSP or TFSA.

The federal budget however, did increase the adoption expense tax credit from \$12,000 to \$15,000. Plus, a new tax credit for search and rescue volunteers similar to the one for volunteer firefighters was introduced. Those with diabetes will also be able to claim their diabetes service animals.

Still, some targeted changes were announced for people with higher incomes, business owners and new Canadians, that you should be aware of. They include:



**Tina Tehranchian**, MA, CFP, CLU, ChFC

FELLOW OF FPSC™  
Branch Manager  
Senior Financial Planner

*continued* ►►

*more in this  
Issue*

- NEW BORDER RULES – SNOWBIRDS BEWARE!
- ESTATE PLANNING FOR YOUR DIGITAL ASSETS
- WHAT ARE DIGITAL ASSETS?
- IMPORTANCE OF A DIGITAL ESTATE PLAN
- A DIGITAL ESTATE PLAN

“A long anticipated change eliminates graduated tax rates for testamentary trusts, which essentially allowed income splitting after death.”

**Kiddie Tax Changes** - These provisions have long targeted business owners who split income by paying dividends to minor children by taxing them at the highest marginal rates, rather than the lower ones available to children with no or little income.

This year's budget widens the kiddie tax net to include business and rental income earned through a trust or a partnership structure, so effective immediately, you'll no longer be able to make a minor the beneficiary of a trust that earns income generated by the work of adult partners.

**Graduated Tax Rates in Testamentary Trusts** - A long anticipated change eliminates graduated tax rates for testamentary trusts, which essentially allowed income splitting after death.

This is a major change that impacts estate planning for higher net worth Canadians, and the change takes effect in 2015.

If you're thinking of doing some estate planning, it's important to discuss options beyond the use of testamentary trusts for graduated tax rates, which will not be available after 2016.

**Elimination of the Immigration Trust** - Ottawa had long granted newly arrived Canadians to place money in offshore trusts for a period of five years at no tax.

In an unexpected move, the Finance minister announced that loophole has been closed, effective immediately.

**Donations on Death Rule Changes** - Prior to the 2014 federal budget, a donation through a will was claimable in the year of death and in the prior year. That changes in 2016 when the estate will be able to claim it for the year the gift is made, and any prior year.

Heirs also will retain the option of using the current system. For some, especially estates that remain open and continue to earn income, this option may add some flexibility at tax time.

**Pension Transfer Limits** - Starting 2011, Ottawa introduced relief for people who had to commute underfunded pensions to RRSPs, RRIFs or other savings vehicles. The 2014 budget extends that tax relief.

**Mandatory GST/HST Registration for Businesses** - The budget proposed new legislation that will give the CRA the authority to automatically register and assign a GST/HST registration number to businesses that fail to comply with the registration requirement. CRA will first contact non-compliant businesses and ask them to register. If they still don't comply, CRA will issue a formal notice indicating they'll be automatically registered 60 days from the date of the notice. Presumably, non-compliant businesses will be subject to penalties and interest should GST/HST returns not be filed correctly and on time.

I hope you find these highlights useful. If you'd like to discuss these and other federal budget initiatives and how they affect

your financial plan, please don't hesitate to contact me.

## **NEW BORDER RULES – SNOWBIRDS BEWARE!**

Starting June 30, Canada and the U.S. will scan travellers' passports as they enter and exit the country. Before, the countries only scanned passports upon a traveller's entry.

If you are a snowbird and are used to estimating the number of days spent inside the U.S., this could have serious consequences for your tax return. Now officials will be able to check their dates for themselves.

Canadians can spend a maximum 183 days in the U.S. before being considered a U.S. resident, and having to pay tax on their global income. Those spending more time down south may also lose their Canadian residency status and have to pay tax as though they had sold all their assets.

## **ESTATE PLANNING FOR YOUR DIGITAL ASSETS**

Alan Wainer, CPA, CA, CPA (Illinois), Partner – Audit & Advisory, Family Business Services (SuRE) Groups

Visiting the doctor for my annual medical checkup has become second nature to me. And as an accountant, meeting with my medical professional clients and their spouses to conduct their annual financial checkups is something that I too prescribe.

At a recent client and spouse meeting, where we were discussing wills and estate planning, the topic of how to deal with digital assets and digital estate planning came up. This couple were well aware of the value of having proper wills and powers of attorney in place: several years back, they had a rude awakening with the loss of a family member who did not have a proper will or estate plan. But fast forward a few years, and this couple was now also living in a brave new world where they handled most of their banking and financial dealings online, conducted research, had Facebook accounts, shared family photos online and so on. Along with coming up with a plan for their tangible assets, they now had a barrage of questions for me about how to deal with their digital assets as well.

Digital assets are not just for the "kids." Research shows that just over three quarters of baby boomers and over half of those aged 65 and older are spending significantly more time online than before for things like online banking, watching videos, sharing photos and engaging in social media.

Knowing my clients and appreciating their past family experience, I knew I could not leave that evening without covering the topic of digital estate planning in some detail. I left them with an outline of a plan to incorporate digital estate planning into their overall strategy. First, I covered the meaning of digital assets. Second, we addressed the importance of having a digital estate plan. And thirdly, we

addressed the various aspects of such a plan.

## What are digital assets?

Wikipedia defines digital assets as any item of text that has been formatted into a binary source that includes the right to use it. In simpler terms, it includes all your electronic possessions (financial and social). Typical digital assets include:

- Social network accounts, such as LinkedIn, Twitter and Facebook, etc.;
- Websites;
- Online account information for other websites and programs;
- Videos, such as those posted on YouTube;
- Photos;
- Email and webmail;
- Financial documents, such as those used for banking, investments and utilities;
- Online businesses such as on eBay or Etsy; and
- Personal documents.

With respect to your digital estate, an executor would need to consider the following elements of a digital asset: the digital file, the right to use it and a method to access the digital file. All three elements will be touched upon further in this article.

## Importance of a digital estate plan

“The new reality is that our lives are largely digital, and the artifacts of our digital lives have value, from both sentimental and financial standpoints,” notes Evan Carroll, co-founder of TheDigitalBeyond.com and co-author of *Your Digital Afterlife*, a book about digital estate planning.

In order to ensure the orderly distribution of your digital assets, a plan is mandatory. It will minimize the opportunity for post-mortem identity or content theft. A plan will ensure that your digital assets, regardless of their nature, are distributed in line with your personal wishes. Finally, a plan may ensure that someone, such as your executor or possibly, a digital executor, will be able to manage your online presence. (For instance, would you want your Facebook account closed or left open as a lasting memorial to your life?) On this last point, the key word is “may.” There are practical issues dealing with the disposition of digital assets upon death, two of which are ownership and access to them. Although this facet is beyond the scope of this article, privacy issues may come into play restricting the access and control of your digital assets to your executor and thus, prohibiting him or her from carrying out your wishes.

## A digital estate plan

Here are four steps to create a digital estate plan, which may parallel your estate plan for tangible assets:

1. Make a list of your digital assets including usernames/account numbers and passwords. To assist you in this undertaking, ask yourself what items of value would be lost if your computer was stolen? Consideration may be given to storing the list of passwords separately from the account name in case someone steals one of the lists.
2. Draft instructions on how you would like your digital assets to be handled when you die. It is important to draft a specific clause in your will providing access to your digital assets, thereby giving your executor the power to access, handle, distribute and dispose of such assets. For financial assets, as long as your executor knows how to access and control your online accounts, that should facilitate the administration of that aspect of your estate. For example, if you are receiving your bills electronically, having access to your accounts will ensure they are paid on a timely basis and make the subsequent closing of the accounts simpler. For non-financial or sentimental assets, a list of your wishes needs to be created. As a case in point, do you wish to have your Facebook account closed or do you want it to remain online as a memorial of your life?
3. Name a digital executor. Where circumstances exist, it is conceivable that you could have a number of executors for your will: one for your personal tangible assets, one for your business assets and one for your intangible or digital assets. The need for more than one executor will be contingent on that person’s capability.
4. Store the information in a safe place. You will need something equivalent to a digital safety deposit box. There are a number of programs such as PasswordBox® and My Vault® to name a few, that allow you to both store your private data and manage your digital assets. You can also use one of these sites to store copies of your important documents, such as wills, powers of attorney and your birth certificate.

Technology is moving faster than the law in this area. The discussion I had with my clients was solely meant to open their eyes to the potential complexity of dealing with digital assets and only scratched the surface of this topic. That is why my last piece of advice to my clients was to meet with a lawyer specializing in estates to assist them in updating their wills to cover digital assets. Estate planning has entered a new frontier: our growing online presence requires that we consider digital assets. Will you?

*This Article was originally published in the 2014 Winter edition of Crowe Soberman’s Comments and has been published with permission.*

## About Alan Wainer

Alan is a partner in Crowe Soberman's Audit & Advisory Group, a member of the Management Committee and Facilitator of the firm's Succession, Retirement and Estate Planning Group (SuRE Group). In 2003, Alan completed the Canadian Association of Family Enterprises (CAFÉ) Family Council Facilitator program.

Connect with Alan at: 416.963.7121  
or [alan.wainer@crowesoberman.com](mailto:alan.wainer@crowesoberman.com).

## GRAND OPENING OF OUR NEW OFFICE ON FEB 11, 2014

On February 11, 2014, over 120 guests attended the grand opening celebration of our new location situated at 9130 Leslie Street, Suite 302, in Richmond Hill. The ribbon cutting ceremony was performed by Dr. Reza Moridi, Minister of Research and Innovation and MPP of Richmond Hill, David Barrow, the Mayor of Richmond Hill, Vito Spattafora, Deputy Mayor of Richmond Hill, and Steve Donald, President of Assante Wealth Management. Coverage of the event is available in SNAP Richmond Hill and the March issue of Persian Tribune.



Janine Purves, Mayor David Barrow (Mayor of Richmond Hill), Minister Reza Moridi (MPP of Richmond Hill), Steve Donald (President of Assante Wealth Management), Tina Tehranchian, Councillor David West, Deputy Mayor Vito Spatafora



Steve Donald (President of Assante Wealth Management), Janine Purves, Minister Reza Moridi (MPP of Richmond Hill), Tina Tehranchian, Bob Dorrell (VP, Distribution, Assante Wealth Management)

## ABOUT THE EDITOR

Tina Tehranchian MA, CFP, CLU, CHFC, is a Branch Manager and Senior Financial Planner with Assante Capital Management Ltd. Assante Wealth Management is one of Canada's largest wealth management companies, offering integrated financial solutions to create wealth and prosperity for you and your family. Our 900 [www.assante.com](http://www.assante.com) advisors in 300 offices across Canada 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.

9130 Leslie St, Suite 302, Richmond Hill, Ont. L4B 0B9  
Tel: (905)707-5220 | Fax: (905)707-1035  
Email: [ttehranchian@assante.com](mailto:ttehranchian@assante.com)  
Web: [www.tinatehranchian.com](http://www.tinatehranchian.com)

Insurance products and services are provided through Assante Estate and Insurance Services Inc. This material is provided for general information and is subject to change without notice. Every effort has been made to compile this material from reliable sources however no warranty can be made as to its accuracy or completeness. Before acting on any of the above, please make sure to see me for individual financial advice based on your personal circumstances. Services and products may be provided by an Assante Advisor or through affiliated or non-affiliated third parties. Assante Capital Management Ltd. is a member of the Canadian Investor Protection Fund and is registered with the Investment Industry Regulatory Organization of Canada. Please visit [www.assante.com/legal.jsp](http://www.assante.com/legal.jsp) or contact Assante at 1-800-268-3200 for information with respect to important legal and regulatory disclosures relating to this notice.

"Estate planning has entered a new frontier: our growing online presence requires that we consider digital assets."

Alan Wainer, CPA, CA, CPA (Illinois)