July - September 2015

Assante® WEALTH MANAGEMENT

Be well-advised.

MONEY *matters*

THE IMPACT OF THE 2015 FEDERAL BUDGET ON YOUR FINANCIAL PLANNING

The 2015 federal budget was tabled by Finance Minister, Joe Oliver on April 21, 2015. The budget forecasted a small surplus of $1.4 billion for the 2015-2016 fiscal year. This surplus was much smaller than the $6.4 billion surplus projected for 2015-2016 in last year's budget. The shrinkage in the forecasted surplus was mainly due to certain personal tax initiatives announced on October 30, 2014, including the introduction of the family tax cut, the expansion of the universal child care benefit, and an increase to the child care expense deduction.

The budget announced a few major changes that will impact your financial planning and can be a source of incremental tax savings.

TFSA CONTRIBUTION LIMIT HAS INCREASED TO $10,000

One of the major changes introduced in the 2015 federal budget was the increase in the annual contribution limit for Tax Free Savings Accounts (TFSA) from $5,500 to $10,000, effective January 1, 2015. This new annual limit will apply to 2015 and all subsequent years and will no longer be indexed to inflation.

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Branch Manager
Senior Financial Planner

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REDUCTION OF MINIMUM WITHDRAWALS FROM RRIFs

Seniors advocates had lobbied for a long time for reduction of RRIF minimum withdrawals and were happy to hear about another major change announced in the budget consisting of the reduction of factors used in calculating the minimum required RRIF withdrawal for those between the ages of 71 and 94. This change was made to better reflect the historical long term rates of return and expected inflation. The new minimum withdrawal rates are effective for the 2015 and subsequent taxation years. The formula used for calculating minimum withdrawals for those under the age of 71 will not change.

Under the old formula, at age 71, you had to withdraw 7.38% of your RRIF balance as of December 31st of the previous calendar year. Under the new formula, the withdrawal factor has been reduced to 5.28%. The reduction in the minimum RRIF withdrawals will result in 32% more RRIF balance at age 85 and 60% more at age 95, for a 71 year-old starting his/her RRIF withdrawals under the new rules.

If you withdraw more than the reduced minimum amount from your RRIF in 2015, you will be permitted to re-contribute the excess to your RRIF. The re-contributions will be permitted until February 29, 2016 and will be deductible in the 2015 taxation year. Similar rules will apply to those receiving annual payments from a defined contribution Registered Pension Plan (RPP) or a Pooled registered Pension Plan (PRPP).

The following table shows the old and new minimum RRIF withdrawal factors:

Age	2015 and later	1992 to 2015	Pre 1992
65	4.00%	4.00%	4.00%
66	4.17%	4.17%	4.17%
67	4.35%	4.35%	4.35%
68	4.55%	4.55%	4.55%
69	4.76%	4.76%	4.76%
70	5.00%	5.00%	5.00%
71	5.28%	7.38%	5.26%
72	5.40%	7.48%	5.56%
73	5.53%	7.59%	5.88%
74	5.67%	7.71%	6.25%
75	5.82%	7.85%	6.67%
76	5.98%	7.99%	7.14%
77	6.17%	8.15%	7.69%
78	6.36%	8.33%	8.33%
79	6.58%	8.53%	8.53%
80	6.82%	8.75%	8.75%
81	7.08%	8.99%	8.99%
82	7.38%	9.27%	9.27%
83	7.71%	9.58%	9.58%
84	8.08%	9.93%	9.93%
85	8.51%	10.33%	10.33%
86	8.99%	10.79%	10.79%
87	9.55%	11.33%	11.33%
88	10.21%	11.96%	11.96%
89	10.99%	12.71%	12.71%
90	11.92%	13.62%	13.62%
91	13.06%	14.73%	14.73%
92	14.49%	16.12%	16.12%
93	16.34%	17.92%	17.92%
94	18.79%	20.00%	20.00%
95+	20.00%	20.00%	20.00%

LIFETIME CAPITAL GAINS EXEMPTION (CGE)

The budget proposed to increase the CGE to $1 million of capital gains realized by an individual on the disposition of qualified farming or fishing property. This new limit will apply to dispositions that occur on or after April 21, 2015. The lifetime limit will be calculated as the greater of:

- $1 million; and
- The indexed lifetime CGE applicable to capital gains realized on the disposition of qualified small business corporation shares (currently $813,600).

REDUCTION OF THE SMALL BUSINESS TAX RATE

A surprising but very welcome proposal in the budget was the small business tax deduction being decreased by .5% each year from 2016 to 2019. This would result in the small business rate on the first $500,000 per year of qualifying active business income of a Canadian-controlled private corporation (CCPC) going down to 9% from the current 11%.

In turn, the budget proposed an adjustment to the gross-up and dividend tax credit for non-eligible dividends at the shareholder level.

EXTENSION OF RDSP LEGAL REPRESENTATION

The 2012 federal budget proposed a temporary measure that allowed for the establishment of a Registered Disability Savings Plan (RDSP) by a qualifying family member (spouse, common-law partner, or parent) for an adult who may lack the capacity to enter into a contract. This temporary measure was scheduled to expire on December 31, 2016 but has been extended out to 2018 to allow some provinces and territories to put necessary rules in place.

HOME ACCESSIBILITY TAX CREDIT

The budget proposed this new non-refundable tax credit effective for up to $10,000 of eligible expenditures incurred after 2015. Eligible expenditures include those which would give a qualifying individual increased mobility or safety within their principal residence, such as wheelchair ramps, walk-in bathtubs, wheel-in showers, and grab bars. Eligible expenditures would include the costs of materials, labour, fixtures, equipment rentals and permits.

This new credit will be available to seniors age 65 or older and to disabled individuals who qualify for the disability tax credit. It will also be available to eligible individuals, who are defined as persons who claim the spouse or common-law partner amount, eligible dependent amount, caregiver amount or infirm dependent amount, for qualifying seniors or disabled individuals.

This credit will not be reduced by other tax credits or grants available from the government but expenditures that are reimbursed by someone other than the government, such as private insurance, will not be eligible.

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DONATION OF PRIVATE CORPORATION SHARES OR REAL ESTATE

After significant efforts by the charitable sector, the budget proposed to allow an exemption from capital gains tax if proceeds of sale of private corporation shares or real estate are donated to charity within 30 days after disposition. This was great news for Canadian charities. To qualify, the purchaser must be at arm's length from both the donor and the recipient, among a number of other qualification criteria. Donations made with proceeds of disposition occurring after 2016 will qualify for this exemption.

CHANGES TO TAXATION OF CHARITABLE BEQUESTS

Canadians donate billions of dollars to charities each year and many of them make bequests through gifts in their wills to make sure that they can continue to support the charities that they love beyond their mortal life spans.

To motivate Canadians to give more to charities, the federal government and all of the provinces offer a non-refundable tax credit for charitable donations. Under the current rules, if you leave a gift through your will or by naming a charity as the beneficiary of your life insurance policy, the gift is deemed to have been made the moment before you die. Therefore, the gift is eligible for a tax credit that can be claimed on your terminal tax return up to the amount of your net income. If the entire amount of the donation cannot be claimed on your terminal return, then it can be carried back and claimed on your prior year's tax return.

Under the current rules, the income tax arising on your death, as a result of triggering of capital gains or the inclusion of your RRSP/RRIF amounts in your income, can be offset by the charitable donation tax credit generated as a result of your bequests. In addition, by being able to carry back unused donation credits to the year prior to your death, a refund of income taxes paid in that year can be generated.

For deaths occurring after 2015, new legislation with regards to donations through a will or beneficiary designation will change how the tax credit can be claimed. Starting in 2016, these types of donations will be deemed to have been made by the estate of the deceased at the time the gift is completed. The new rules also provide the option of claiming the donation on the estate return within a certain timeframe.

This change creates greater certainty with respect to the amount that can be claimed because the value of the donation will be established at the time of the gift rather than shortly after death (which may make it difficult to establish the exact value of the gift until the estate is wound up).

Under the new rules, provided the gift is completed within 36 months of the date of death, the executor will have enhanced flexibility as to claim the tax credit on the terminal tax return, the deceased's prior year tax return, the estate return, or where applicable, to carry it forward to a future income tax return of the estate. This will allow the executor much more flexibility to elect how much is claimed on which tax return and to take maximum advantage of tax planning opportunities with regards to charitable donations made by will or through beneficiary designation.

The new rules also make the valuation of charitable donations on death easier and will enhance estate planning opportunities due to the increased number of returns where charitable tax credits can be claimed.

CANADA JOB GRANT

If you own a business, you should learn about the Canada Job Grant. This federal program offers funding for business owners so they can train new and existing employees.

Two-thirds of the training program's cost is covered up to $10,000. The funds can be used for tuition, books, software, mandatory student fees, exam fees and training provided by eligible third parties. Training programs include:

- trucking and transportation;
- carpentry;
- computer science;
- engineering; and
- other workplace skills.

Any Canadian business or non-profit organization located in one of the partnered provinces that needs to train employees can apply for this grant. The training cannot exceed one year and the employer must have a permanent job available for the employee at the end of the training.

Provincial requirements vary. In Ontario, if the application is for training fewer than 25 employees, it must be submitted in a specific online format to a Canada-Ontario Job Grant service provider. However, if the application is for training more than 25 employees, the application must be submitted to the regional office closest to where the training will take place.

Employers must provide full details about who is being trained, how the program will benefit the company and whether employees will be paid. A full plan is required including:

- course descriptions;
- details about the certification or designation that'll be obtained;
- allocation of hours;
- cost of supplies; and
- method of training.

If training costs exceed $25,000, then employers must submit three different provider quotes. If the training is limited to a specific provider due to proprietary software or specialization, then a detailed explanation is required.

OUR SERVICES

At Assante Capital Management Ltd., we strive to create and

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preserve your wealth. We do it by creating a comprehensive integrated wealth management plan that encompasses every aspect of your financial affairs including:

Investment strategies and a full range of investment products including

o Mutual funds
o GICs and Canada Savings Bonds
o Stocks and Bonds
o Limited partnerships
o Investment trusts
o Customized wraps
o Private client program

Risk management and insurance

o Protecting your current income
o Sheltering your investments from taxes
o Supplementing your pension at retirement
o Life, critical illness, disability and long term care insurance
o Protecting your business against the loss of key personnel
o Providing employees with group insurance and retirement plans
o Planning your business succession
o Making your healthcare costs tax deductible by setting up Health Spending Accounts

Tax planning and tax smart strategies

o Taking advantage of the tax sheltering provided in registered plans
o Optimizing tax-preferred income and use of capital losses in non-registered plans
o Establishing trusts and endowments
o Choosing tax-deferred and tax-exempt options
o Splitting income among family members

Estate preservation

o Minimizing capital gains taxes and probate fees
o Maximizing tax-exempt legacy opportunities
o Utilizing sheltered donations and endowments
o Taking advantage of estate freezes

Cash and credit management

o Debt consolidation
o Mortgage pay down
o Leveraging strategies

MAJOR EVENTS THAT IMPACT YOUR FINANCIAL PLANNING AND THAT YOU SHOULD LET US KNOW ABOUT

To ensure that your financial plan is kept up-to-date and you are utilizing the best and most appropriate financial planning strategies, please ensure that you contact us to update your plan in the following circumstances:

- Contemplation of marriage or divorce
- Contemplation of purchase or sale of a property
- Contemplation of purchase or sale of a business
- Change of employment
- Substantial increase or decrease in your income
- Inheriting property
- Receiving a retirement or severance package
- Changing your planned retirement date
- Renewing your mortgage or negotiating the terms of your line of credit

Thank You For Your Referrals

Your referrals and introductions are greatly appreciated. They allow me to spend more time managing your wealth and less time on building my business. In fact, the greatest compliment my clients can give me is the referral of their friends and family. Thank you for your trust and confidence.

An easy way that you can refer me to people you know is by forwarding my newsletter to them. I encourage you to pass this newsletter onto your family members and friends. You can never read enough about the financial markets and different strategies for saving taxes and growing your wealth. I trust you will find this information helpful, and if you know someone who could benefit from receiving my newsletter, just give us a call and we'll be happy to send one directly to them. As always, your referrals and introductions are greatly appreciated.

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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