Spring, the calendar shows us you have arrived, hopefully Mother Nature checks her Calendar soon!

It's everyone's desire to be rewarded for years of hard work with a comfortable retirement. Careful financial planning can help ensure you have the funds to enjoy a long, active retirement. But what if your health falters?

This quarter's focus:
How to prepare for the "what ifs".

If you have questions or would like to book a planning or review meeting, never hesitate to get in touch!

CHARITABLE GIFT PLANNING IN A WILL

Source: CLU Institute Comment

Acts of charitable kindness provide fulfillment for a donor and are highly valued by recipient charities. While regular donations may occur throughout an individual's lifetime, an increasing number of individuals want to provide for a large legacy through charitable gift planning. This may involve the individual (known as the "testator") making provisions in his or her will to address personal charitable objectives. In doing so, it is important to maximize any tax benefits without changing the testator's objectives.

The testator has many options with respect to completing a charitable gift plan. The amount of the gift could be a specific asset, a fixed amount, or a percentage of the residue of the estate. The recipient of the gift could be designated through a provision that specifically names charitable organization(s), or the executor may be instructed to fund specifically named causes.

A charitable gift made pursuant to an instruction in a testator's will can generally be claimed on the testator's final tax return for the year of death (the "terminal return") because of a specific provision within the Income Tax Act. Charitable donations may be claimed up to 100 per cent of net income in the year of death. Any unused charitable donations may be carried back and claimed in the year prior to death up to 100 per cent of net income.

Being able to claim a charitable donation on the terminal tax return is important because the terminal tax return will also contain income recognized pursuant to the deemed disposition rules triggered by death. For example, a shareholder of a private business is deemed to have disposed of his or her corporate shares at the time of death, causing any inherent capital gain to be realized (unless the shares pass to a spouse or qualifying spouse trust on a rollover basis).

For the estate to claim the testamentary donation on the terminal tax return, certain criteria must be met.

• The amount of the gift must be clear and without any discretion on the part of the executors. The gift could be a specifically identified piece of property or investment account. The gift could be a specific dollar amount, or could be a specified percentage of the residue of the estate. It should be noted that a gift of a specific property requires that the testator actually own the property at the time of death, otherwise the gift will fail. In addition, a gift of a specific percentage of the residue of the estate may take several years to determine. If the testator indicates a dollar range for a

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charitable bequest, the executors may claim the bottom of the range on the terminal tax return, and any amount above the minimum would be considered a charitable gift by the estate.

• It is clear that the executors must complete the gift, and there is no discretion as to whether the gift has to be made.

• The identity of a specific charitable organization is not required; rather, the executors could be instructed to complete a specified gift to those charities that support clearly identified causes. Where a charitable organization is specifically named, it is important to ensure it still exists at the time of death, otherwise the gift will fail. To avoid this situation, the testator could provide that if the charitable organization is no longer in existence, the charitable gift(s) should be made to those organizations that provide similar functions.

• The charitable gift needs to be fulfilled before it can be claimed. This is an important consideration when an estate lacks sufficient assets to fund its final expenses, outstanding debts of the testator and any income tax liabilities. The gift is subject to priority of payment with final expenses, repayment of debts, and income tax taking precedence over a bequest.

Any gifts that cannot be claimed on the testator's terminal tax return because of the restrictions noted above can generally be claimed by the estate on its tax return.

The executors can leverage the ability to carry back excess charitable donations from the testator's terminal tax return to his or her prior year's returns, which may be advantageous in generating an income tax refund. The claim on the terminal tax return will often offset any income tax liability owing, while a carryback claim will generate a cash refund when the prior year's return has already been completed.

The following table depicts the charitable donation tax credits rates for 2013:

	Tax Credit on the first $200	Tax Credit on amounts in excess of $200	Combined tax credit on amounts in excess of $200
Federal	15.0%	29.0%	
British Columbia	5.06%	14.7%	43.7%
Alberta	10.0%	21.0%	50.0%
Saskatchewan	11.0%	15.0%	44.0%
Manitoba	10.8%	17.4%	46.4%
Ontario	5.05%	11.16%*	40.16%*
Quebec	20.0%	24.0%	53.0%
New Brunswick	9.39%	17.95%	46.95%
Prince Edward Island	9.8%	17.95%	46.95%
Nova Scotia	8.79%	21.0%	50.0%
Newfoundland & Labrador	7.7%	13.3%	42.3%
Yukon	7.04%	12.76%	41.76%
Northwest Territories	5.9%	14.05%	43.05%
Nunavut	4.0%	11.5%	40.5%

*Ontario's tax credit on amounts in excess of $200 will increase to the extent the taxpayer is subject to Ontario's surtax calculation. The top marginal tax credit would be 49.53% for individuals with taxable income in excess of $509,000.

With charitable gift planning, it is important that there is clarity with respect to the testator's wishes, enabling the executors to complete the intended gift. Consideration of the tax implications is essential in order to maximize the benefit while achieving the intended objectives.

This article was written by Deborah Kraft and Jim Kraft and was published in the February 2013 issue of COMMENT. Posted with permission from the Financial Advisors Association of Canada (Advocis) and The Institute for Advanced Financial Education.

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I was lucky enough to escape our frigid winter for a week away in Cuba.
Two days after arriving, I noticed one of the ladies I met on the plane was walking around with a cast on her foot.
Unable to resist a good story, I sat down to chat with her. She had tripped and broken her ankle. She was quickly taken to the hospital, "fixed up" and sent back to the resort.
My next question, was of course – do you have travel insurance, to which she replied, "yes, through work, I will call them when I get home, and submit my receipts."

Did you know if something happens when you travel you should call your insurance provider immediately? (before even going to the hospital)
Do you know how much travel coverage you have on your group plan through work? (some plans have maximums or exclusions)
Do you know what other limits your current coverage has? What is your current Long Term Disability Coverage? Are you covered if you are diagnosed with a Critical Illness?

Reviewing your coverage regularly is an important part of protecting your financial plan. (both that you hold personally or through your employer)
Why not book a planning meeting to ensure you are protecting your plan from the "what-ifs."

Yesterday the twig was brown and bare;
To-day the glint of green is there;
Tomorrow will be leaflets spare;
I know no thing so wondrous fair,
No miracle so strangely rare.
I wonder what will next be there!
L. H. Bailey

There is more to protecting your savings than making sure all your investment eggs aren't in the same basket.

It's also about protecting your investments from the effects an unexpected illness or accident can have on your financial health.

What impact would a critical or chronic health problem have in your own financial situation? Please call us to schedule a financial planning update and allow us to "stress test" your personal financial situation.

It is with a tremendous sense of pride that I would like to congratulate Juana on attaining her CFP (Certified Financial Planner) designation. This is a significant milestone and confirms her commitment to her profession.

HOLIDAYS & BUSINESS TRAVEL

David & Juana Business Travel

- June 20th – 29th we will be out of office meeting with Clients in BC and Alberta

David Out-Of-Office:

- April 24, 25
- May 24th – May 29th
- July 31st – September 3rd

Juana Out-of-Office:

- June 30th
- July 19th – August 5th

Office Closed:

- May 19th – Victoria Day
- July 1st – Canada Day
