



Branch Manager News

by Steve Booker BComm, CFP, CLU, CIM, FCSI

In this same third-quarter newsletter last year, I wrote about the soft roll-out of the financial planning software we had purchased. We have since tweaked this program and refined our process such that we believe our financial plans are of the highest caliber. We are enthusiastic about this software, as it allows us to take almost any financial scenario a client might have, and model it into a meaningful plan that they can work from in the future.

We understand that life will throw in twists and turns that will result in clients deviating from the plan in one way or another. The solution is an informal annual review to loosely check in with the plan, with more formal check-ins every three to five years. At these benchmarks we can assess progress and, where needed, take corrective action to realign the plan with the client's underlying goals and objectives.

In most cases, we find that clients have been using this as a “reality check”

on the direction in which they have been heading. More often than not, it confirms that they are doing very well relative to their goals, which can be comforting within the context of the constant dialogue in the media about how ill prepared the average Canadian is with respect to their financial future. That said, we believe the clients we work with are anything but average.

As a service that we offer to all our clients, we invite you to take advantage of our financial planning process, the Milestone Journey. All of our advisors are Certified Financial Planners (CFP), and are qualified to guide you through the creation of a thorough and well-grounded roadmap towards your desired outcomes. Planning is a vital part of what we do and we encourage you to participate in this process in whichever way best suits your aspirations and desires. Perhaps Thomas Edison said it best when he quipped, “good fortune is what happens when opportunity meets planning.”

The Value of an Up-to-Date Will | by Ken Little, Carscallen LLP

According to Alberta Statistics, one-half to two-thirds of Albertans don't have a Will. This is not quite accurate because our legislators have provided a statutory “Will” that covers those of us who haven't signed one of our own. The intestacy provisions of the Wills and Succession Act (Alberta) (the “Act”), which came into force on February 1st, 2012 govern the Estate of those who have no Will.

If you don't have a written Will, you may or may not be okay with how your Estate (the property you own at death) is divided up amongst your family by someone you have not chosen and, in some cases, may not be a family member. For example, Adult Interdependent Partners (those with whom you have had a relationship of interdependence for three (3) consecutive years or more, or a relationship of some permanence if there is a child of the relationship, or with whom you have entered into an Adult Interdependent Partner Agreement) have significant rights on intestacy. This requirement did not exist before the coming into force of the Act. An important change that was introduced under the Act requires that if a person leaves both a spouse/partner and children of the relationship with that spouse/partner, then one's entire Estate goes to the spouse/partner, rather

than being shared between the spouse/partner and the children, as under the previous legislation.

Other changes from the Act that may affect existing, and all future, Wills:

- Marriage, and the entering into of an Adult Interdependent Partner Agreement, do not revoke prior Wills;
- Divorce causes any gifts to a former spouse, and that person's appointment as Executor, to be revoked;
- The designation of a beneficiary for the purposes of insurance, RRSPs, RRIFs and TFSAs are not revoked by Divorce;
- Gifts to children following execution of a Will are no longer presumed to be a gift that should be deducted from the child's share under the Will;
- Gifts to witnesses are not automatically considered void, provided there is no undue influence; and
- Courts are now permitted wide latitude to consider the intent of the maker of a Will, and make corrections and rectify or validate a Will, if the evidence of the maker's intentions are clear.

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- Holograph Wills are still valid in Alberta. These are Wills that are completely written in the maker's handwriting, and signed by him or her without the presence or signature of a witness.
A Will should be strongly considered by any person over the age of

eighteen (18) with property. In some cases, a holograph Will or a Will kit may be a better alternative than having nothing at all and leaving your personal matters to others. Consult your Milestone Asset Management Team to obtain professional advice suited to your own circumstances.

Taxing Trusts and Estates

Government proposals could lead to higher tax for clients by Jamie Golombek, Renaissance Investments

In June 2013, the government formally launched a consultation paper that may lead to the elimination of the graduated tax rate system for testamentary trusts and estates. The proposed measures, if adopted, would come into play starting in 2016 and would effectively abolish a common estate-planning technique used by wealthy clients to reduce tax on the investment income earned from their assets, by their beneficiaries, for years after their death.

A testamentary trust is a type of legal arrangement in which one person, typically known as the estate trustee, holds and manages the deceased's property for the benefit of someone else, known as the beneficiary. A testamentary trust also includes an estate, which arises upon death and generally lasts until the executor distributes the assets to the beneficiaries who are inheriting under the will of the deceased.

For tax purposes, both trusts and estates are considered to be individuals and must file returns that require them to pay tax on any taxable income that is not paid to the trust's beneficiaries. In 2013, testamentary trusts and estates pay tax at graduated tax rates starting at 15% federally for income under \$43,561 and ultimately rising to 29% once income reaches about \$135,000. Each province other than Alberta, which has a 10% flat provincial tax, also applies its own set of graduated tax rates to the testamentary trust's income.

The government specifically cited the use of multiple testamentary trusts,

tax-motivated delays in completing the administration of estates, and avoidance of the Old Age Security clawback as offensive testamentary trust planning, which "raise questions of fairness, and negatively affect government tax revenues." As a result, the government proposes to change the tax law to apply flat top-rate taxation to testamentary trusts created by will as well as to estates "after a reasonable period of administration" of 36 months.

For example, suppose your client has a will that leaves all funds to a spouse who pays tax at the highest marginal rate. While no tax will be payable at the

time of your client's death if assets are transferred on a rollover basis to a surviving spouse or qualifying testamentary trust, after your client's death taxes will be payable on income earned from the inherited assets. If the spouse were to invest the inherited funds in a non-registered account that earned \$100,000 of ordinary

income, the spouse would pay tax of almost \$50,000 (assuming the top marginal tax rate in Ontario for 2013). If instead your client's will directed that the funds be put into a testamentary trust for the benefit of the spouse, the trust would pay about \$30,000 of tax on \$100,000 of ordinary income (assuming Ontario graduated tax rates for 2013). The testamentary trust could, therefore, yield tax savings of approximately \$20,000 annually. If the measures proposed in the government's consultation paper are implemented, the tax savings would be eliminated.

The government is inviting written comments on the proposed changes until December 2, 2013.

"For tax purposes, both trusts and estates are considered to be individuals and must file returns..."

Milestone News

by Korina Fandrick

Our little family within Milestone also had a special day to celebrate as our Branch Administrator, Jodie Roe (formerly Pattison),

was married on August 31st. We were delighted to be in attendance for the ceremony and reception which took place at the Knox United Church and Wainwright Hotel in Heritage Park. Jodie and her new husband Eddie Roe celebrated their day amongst numerous friends and family, with

each of them coming from large families. It was a perfect summer day to celebrate their union and new beginning. The couple left shortly after the wedding to celebrate their honeymoon in Hawaii. We wish them all the best in their new life and love together!



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