NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

MacDougall
Wealth Management Group

# Newsletter

Autumn 2025

## In this edition



## Estate planning & joint ownership: The good, bad… & ugly

Owning assets jointly has grown in popularity, with spouses and, more frequently, between parents and children. While there are benefits, be aware of the potential pitfalls.

Joint ownership occurs when an asset is owned by more than one person. There are two forms: "Joint tenancy" (with the right to survivorship) refers to an arrangement in which the ownership of the asset passes directly to the surviving owner(s) upon the death of one of the owners.[1] As such, the asset passes outside of the deceased owner's estate. Under the alternative "tenants in common" arrangement, owners each hold separate ownership interests in the asset that can generally be sold, transferred, or bequeathed without the consent of the other owners.

In this article, the focus is on joint tenancy, increasingly used in estate planning. While there are benefits, be aware of the bad—and potentially "ugly"—implications prior to entering into this arrangement:

### The good…

**Ease of asset transfer** — Upon the death of one owner, the surviving owner(s) automatically becomes the owner of the asset, with few legal or administrative hassles upon transfer.

**Bypass probate** — Since assets pass to joint owners outside of the will, no probate or estate administration fees are assessed, in provinces where applicable.

### The bad…

**Tax implications** — There may be potential tax consequences to joint owners. For example, if real estate is owned jointly between a parent and a child who already owns a residence, there may be a proportionate loss of the principal residence exemption. Adding a joint owner to a property could also result in the incidence of land transfer tax. For jointly-owned investment accounts, even if tax slips may be received in the names of the joint owners, the Income Tax Act could require attribution of the income earned and owned by one taxpayer to another taxpayer for tax purposes, based on who provided the capital, and what proportion was used to acquire the assets in question. Depending on the circumstances, adding another party as a joint owner could also result in the recognition of some gains or losses for tax purposes.

**Loss of control** — Joint ownership may mean that the original owner no longer has total control over the assets. With property, decisions regarding its maintenance or sale need to be made jointly. With financial accounts, such as a bank account, a joint owner generally has the ability to withdraw or use funds.

### The ugly…

**Estate equalization issues** — If the majority of assets are held in joint ownership (outside of the estate), the estate may not have sufficient assets to fund legacies or gifts outlined in the will, or to cover potential tax liabilities. If an estate is to be divided equally but a jointly-owned asset hasn't been considered, expensive and divisive legal action could result. It also may not be clear if a joint-tenancy arrangement was done for ease of administration or if a change in beneficial ownership was intended.

**Exposure to creditors or matrimonial claims** — Jointly held assets may be exposed to claims by a joint owner's personal or business creditors, or ex-spouse. This could force the sale of an asset to cover the payment of debts or claims of the joint owner.

As always, please seek the advice of legal and tax advisors as it relates to your particular situation.

1 Not applicable in Quebec, where the laws differ and an automatic right of survivorship does not exist.


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## Five reasons HNW investors can have unique insurance needs

As a high-net-worth (HNW) investor, your insurance needs often go beyond simply protecting more assets. Your goals, risks and opportunities may differ from the average investor, making a more strategic approach to insurance planning important. Here are five reasons why your situation deserves focused attention:

### 1. Larger, more complex estates

HNW investors often hold substantial wealth in private corporations, real estate and investment portfolios, so insurance needs go beyond basic protection. Insurance can provide estate liquidity, simplify succession and help equalize inheritances when assets are hard to divide. Unlike assets distributed by a will, insurance proceeds typically bypass probate, offering privacy and speed for beneficiaries. Discretion and control are often valued by HNW individuals prioritizing confidentiality and ease.

### 2. Tax efficiency is critical

With greater wealth often comes greater tax exposure. Insurance can serve as an effective tax-planning tool, particularly permanent life insurance, which allows for tax-deferred growth of the policy's cash value. When structured strategically, it can facilitate a more tax-efficient transfer of wealth by helping offset estate taxes, including those triggered by the deemed disposition of capital assets at death, to help preserve more of your wealth for the next generation.

### 3. A focus on legacy and family planning

For HNW families that prioritize legacy planning, insurance can play a central role in turning long-term intentions into lasting impact. Whether funding charitable goals, protecting dependents or keeping a family business intact, insurance supports legacy planning. It can help transfer wealth tax-efficiently, avoid forced asset sales and even be used to fund trusts or intergenerational wealth strategies. For example, some gradually transfer policy ownership to children or grandchildren, allowing wealth to grow tax-efficiently and transition smoothly across generations. Others use insurance to fund a trust to provide long-term care or financial support for vulnerable family members, without compromising eligibility for government benefits (where applicable).

### 4. Strategic portfolio diversification

Many HNW investors have maximized contributions to tax-advantaged accounts like RRSPs or TFSAs, while holding substantial assets in non-registered accounts. As such, they may seek ways to minimize the tax burden associated with non-registered investments. Permanent insurance solutions can offer an opportunity. The tax-preferred growth of the cash value in participating whole-life insurance, alongside the tax-free death benefit, makes insurance an alternative to lower-risk fixed-income options. Some policies may even outperform the fixed-income component of a traditional balanced portfolio on an after-tax basis. As such, alternative strategies using insurance or annuities can be used to complement investment portfolios and provide diversification.

### 5. Business support, succession and continuity

HNW business owners can use insurance to play a role in both protecting and transitioning a business. It can be used to fund buy-sell agreements, insure against the loss of a key employee or provide liquidity to support a seamless transfer of ownership to the next generation or a business partner. When held within a corporate structure, permanent life insurance may also offer tax-planning advantages, such as leveraging the capital dividend account (CDA) to distribute death benefits on a tax-free (or tax-advantaged) basis to shareholders. Coordinating insurance with a broader business and estate strategy helps ensure financial stability during transitions while optimizing outcomes for owners and heirs alike.

### We are here to help

Insurance goes well beyond protection—it can be a powerful planning tool for the HNW investor. When integrated into your broader wealth strategy, it can safeguard what matters most while creating opportunities for long-term growth and legacy planning. To explore how insurance can support your wealth plan, please call.

# Business owners: Do you know your business's value?

Even if you are years away from transitioning your business, understanding its value today is important. Knowing your business's worth not only sets realistic expectations, but also supports strategic decisions around growth, succession and family planning. In fact, studies continue to suggest that business valuation is one of the top obstacles in business succession planning (see inset).

### How are you planning for your business's succession?

#### Canadian business succession by the numbers

— $2 trillion in assets are expected to transfer in the next decade

— 76% of owners intend to exit their businesses within a decade

— 64% of Canadian businesses lack a formal succession plan

— 54% cite the absence of a suitable buyer as the top obstacle, followed by business valuation (43%) and reliance on the owner for day-to-day operations (39%)

CFIB 2022: https://www.cfib-fcei.ca/en/research-economic-analysis/succession-tsunami-preparing-for-a-decade-of-small-business-transitions

## A sale process can reveal surprises

It's not uncommon for a business sale process to uncover a lower value than the owner expected. Many business owners overestimate their company's worth for several reasons:

— **Market valuation vs. book value** — Owners may include intangible assets, like goodwill, or revenue potential in their estimates, while buyers may only focus on cash flow (what the business earns today and can realistically pay them back).

— **Industry multiples** — Valuation often relies on comparable sales in the sector. Market conditions, growth potential and industry trends can lower the multiples applied.

— **Dependence on the owner** — If the business relies heavily on the founder (or other key personnel), buyers may discount its value.

Knowing your business's value early can prevent surprises, set realistic expectations and lay the foundation for planning across multiple areas, including growth strategies, tax planning and succession decisions:

**Maximizing future value** — Understanding the drivers of your current valuation can help identify opportunities to increase value over time. This may lead to strategic investments or operational improvements to help position the business for a higher valuation when the time comes to transition.

**Tax planning** — Knowing your business's value allows for proactive tax planning. For example, accessing the Lifetime Capital Gains Exemption (LCGE), or the new Canada Entrepreneur's Incentive (CEI), may take years to implement. Transferring shares of a private company to adult children, even as gifts, is usually deemed a disposition at fair market value (FMV), potentially triggering capital gains tax. Tax-planning options such as an estate freeze or the use of a family trust may help better manage these tax implications.

**Fairness among heirs** — If not all children are involved in the business, valuation can help plan for estate equalization, e.g., if one child inherits the business, others receive assets of equivalent value. This can help prevent family disputes. Clear communication about the business's value can also reinforce that ownership is an earned responsibility, rather than a gifted windfall, potentially minimizing entitlement and promoting stewardship.

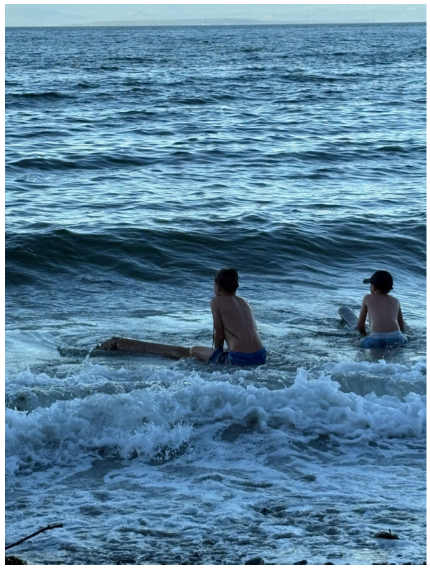
**Timing & financing a future transition** — Understanding value helps guide decisions around the timing of a sale or transition. Market conditions can affect a valuation. If succession is within the family and children need to buy you out (partially or fully), knowing the valuation establishes the basis for planning buy-sell agreements, financing or staged transfers.

**Retirement & estate planning** — For many owners, the business represents the bulk of their wealth. Knowing its value early can help project and plan for retirement income after the transition, as well as for future estate distribution, ensuring financial longevity and security for you and your loved ones.

Understanding your business's value today gives you greater control over the future. It allows you to plan strategically, protect your family's interests and maximize the legacy you've built. As a business owner, if you would like business planning support that goes beyond wealth management, our broader group of specialists can assist. Please call.

## Recap of Our Summer

Samantha - Enjoying lake weekends and sunshine with the family.

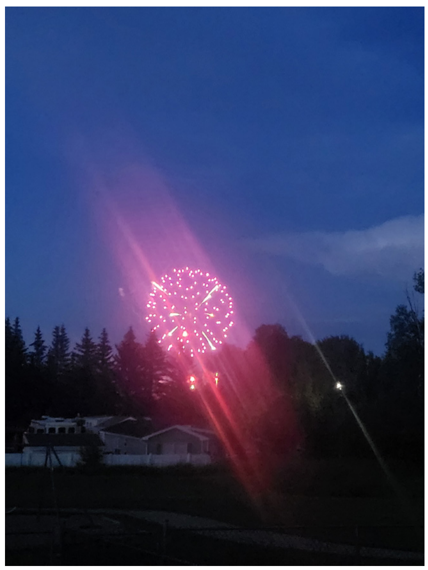


Kit - The kids riding the ocean waves on Miracle Beach.

Iain - Put up a motus tower to assist in the tracking migration patterns of birds.

Kellsey - Met a mermaid at the Muttart Conservatory in the Under the Sea Exhibit.

Chelsea - Learning how to make tagliatelle con ragú in Balogna.



Deanna - Watched some fireworks from the deck.

Penny - At the top of the Eiffel Tower!

**A client referral is the greatest complement our team can receive. If you are aware of a friend, family member, or business associate who could benefit from the services our team provides, please have them call or email our team directly.**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