

Newsletter

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The immutable market pendulum

The summer saw the return of the immutable market pendulum, where sentiment can swing from 'hopeless' to 'flawless.' After April's lows, the S&P surged more than 30 percent in just two months, one of the fastest rallies in recent history, while the TSX hit multiple all-time highs.

While the underlying economic challenges haven't changed much, the surge in optimism wasn't entirely misplaced: economic growth has proved more resilient than expected, trade tensions have eased as new agreements are negotiated, and many expect central banks to cut rates if conditions weaken.

Investor enthusiasm has also been fueled by solid earnings of big technology companies tied to artificial intelligence (AI). Their scale of investment is striking. The top four tech firms alone are expected to spend over \$320 billion on AI capex this year, or around one percent of total U.S. GDP.¹ Some analysts have even asked whether the U.S. economy would have contracted without this spending.

Despite AI's current surge, it's worth noting that its roots go back to the 1950s and Alan Turing's "Turing Test" for machine intelligence. What has changed is the pace of progress, driven by exponential increases in computational power, vast datasets and advanced machine learning. Consider that global data creation is expected to exceed 180 zettabytes (ZB) in 2025, compared to the terabytes (TB) of the late 1980s (1 TB = 0.000000001 ZB). Back then, 1 TB of storage cost over \$30 million; today, it is less than \$100—a mind-blowing drop over 40 years!² We are now on the steep part of this exponential curve: decades of gradual progress have given way to rapid, real-world breakthroughs. Few doubt that AI will be an economic driver in the years ahead. But the adoption of any new technology doesn't guarantee success for all early players and, as history reminds us, expectations can often overshoot reality.

Indeed, the excitement has extended valuations. Over the summer, the S&P 500 traded at 22.0x forward earnings with the top 10 stocks at 28.8x, well above the 30-year average of around 16.7x.³ The S&P/TSX sat lower at 17.0x, reflecting Canada's greater weight in value-oriented sectors like energy and financials. For perspective, at the height of the dot-com boom, the S&P 500 traded at 24.2x. Yet, today's valuations can be viewed through differing lenses: lower interest rates increase the present value of future cash flows; high-growth sectors may warrant higher multiples when innovation and productivity gains are expected to persist; and supply/demand dynamics have shifted. The number of U.S. publicly-listed companies has fallen by half since 1996, to around 4,000 today, while retail participation has surged: 62 percent of households own stocks, up from under 40 percent in the early 1990s.⁴

Still, momentum can carry much further than many expect before fundamentals reassert themselves. As the saying goes, in the short run, the market is a voting machine, but in the long run, it is a weighing machine.⁵ The pendulum between fear and optimism will continue to swing, amplified by headlines and rapid technological change. For investors, the challenge is not to be swept along with each swing. A commitment to a wealth plan grounded in quality, diversification, and a focus on long-term value creation can serve us well no matter where the day-to-day markets take us.

1 <https://www.ft.com/content/634b7ec5-10c3-44d3-ae49-2a5b9ad566fa>

2 <https://ourworldindata.org/grapher/historical-cost-of-computer-memory-and-storage>

3 1/1/96 to 6/30/25. <https://awealthofcommonsense.com/2025/08/meme-stocks-mr-market/>

4 U.S. households; Canadian data shows a similar trend. Federal Reserve (2025), <https://www.axios.com/2023/10/18/percentage-americans-own-stock-market-investing>

5 Benjamin Graham, The Intelligent Investor.

Back to school: Why the RESP should be included in a will

While many of us set up a Registered Education Savings Plan (RESP) to support a family member’s education and create a lasting legacy, it’s ironic how often the RESP is overlooked in estate planning.

Why consider estate planning for the RESP?

With kids back to school, it’s a timely reminder of the RESP’s benefits:

- **Income-splitting** — When RESP funds are withdrawn for qualified educational purposes, investment income and grants are typically taxed in the hands of the beneficiary—often in a lower tax bracket.
- **Tax-deferred growth** — Investments within the RESP grow tax-sheltered until withdrawal.
- **Government grants** — The Canada Education Savings Grant (CESG) provides up to \$7,200 in matching grants per beneficiary.

Yet, these benefits can be lost if the RESP is not addressed in an estate plan. Why? The RESP belongs to the subscriber—the person who sets it up and contributes—not the beneficiary. Many investors assume it works like the Registered Retirement Savings Plan (RRSP), which passes directly to a named beneficiary and bypasses probate at death. RESP assets do not transfer in the same way. The RESP forms part of the estate immediately on the death of the subscriber.

If there is no joint subscriber or no successor subscriber is named in the will, the RESP is typically collapsed. As the assets fall into the deceased subscriber’s estate, this can trigger:

- **Tax on accumulated income payments**, payable by the estate;
- **Repayment of CESGs**; and
- **Probate fees**, if applicable, with assets subject to creditor claims.

As a result, the RESP loses its benefits. It may also disrupt legacy plans if estate beneficiaries are different from the RESP beneficiary.

How to preserve RESP benefits

To protect the intent of the RESP:

1. **Name a joint subscriber (for spouses/partners or former spouses who are the legal parent of the beneficiary only).** The joint subscriber can continue managing the plan.
2. **Appoint a successor subscriber in your will.** A trusted individual can take over the plan. Keep in mind that the new subscriber would control the plan and could potentially collapse it.
3. **Consider a testamentary trust.** Under certain conditions, a will can name a trust as the successor subscriber, allowing contributions to continue beyond your death (subject to contribution limits).

By addressing the RESP in your estate planning, you can safeguard its benefits and ensure your legacy supports the intended student.

The cost of education: How Canada compares globally
Average Canadian undergraduate tuition has risen to \$7,360, up 653% since 1984! Keep in mind it's still more affordable compared to international student tuition for the top universities globally:

Ranking	Tuition cost (C\$)	Ranking	Tuition cost (C\$)
1. Harvard, USA	\$81,977	4. Cambridge, UK	\$50,589
2. MIT, USA	\$88,873	5. Oxford, UK	\$60,007
3. Stanford, USA	\$93,600	13. Tokyo, Japan	\$6,036

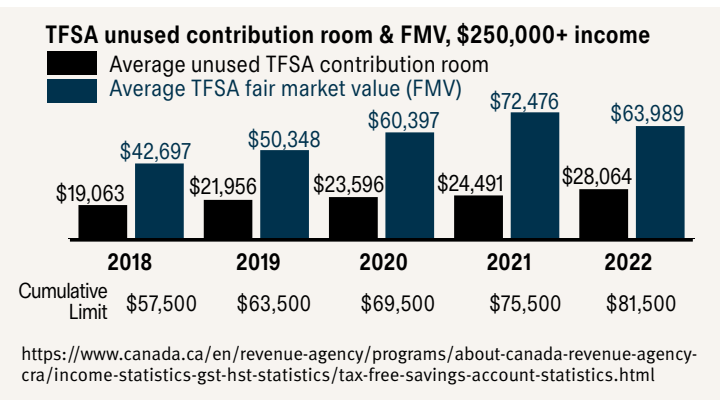
Rankings based on www.cwur.org; Tuition based on undergraduate, bachelor of arts (or equiv.), 2025/26 full year, international student. Exchg. rate at August 16, 2025. Notably, Harvard and MIT have both announced they will offer free tuition to undergraduate students whose families make \$200,000 or less per year.

HNW investors: Are you overlooking the tax-free opportunity?

There are few “gifts” that the government gives us, and the Tax-Free Savings Account (TFSA) is one of them. The ability to invest and grow funds tax-free over a lifetime should not be overlooked.

Yet, many high-net-worth (HNW) individuals are not taking full advantage. According to the latest 2024 statistics (for the 2022 tax year), HNW taxpayers earning over \$250,000 left around 35 percent of their contribution room unused. While many of us gripe about high taxes, we certainly aren’t doing a great job of maximizing tax-advantaged accounts. The average TFSA fair market value also falls below the cumulative contribution limit. An investor who contributed the full amount each year since the TFSA’s inception in 2009 could have over \$159,000, assuming a 5 percent annual rate of return.

Why the shortfall? Several factors might be at play. When the TFSA was introduced, it was often mistaken for a simple ‘savings account,’ leading some to misconstrue its long-term growth potential. Others treat it as a short-term fund, withdrawing funds instead of allowing them to grow. The opportunity cost is significant. An investor who contributes the 2025 cumulative contribution limit of \$102,000 plus \$7,000 annually would accumulate almost \$675,000 after 25 years at a 5 percent annual rate of return. This could be withdrawn and used completely tax-free! Yet, this assumes that contributions and investment gains are left untouched in the TFSA, allowing for growth.



Another factor may be that some investors have taken a riskier approach with TFSA investments. This can be harmful for two reasons. If an investment realizes a substantial loss, that contribution room is lost forever. And, there is no tax relief. Unlike a non-registered account, TFSA losses cannot be claimed on an income tax return.

How about you? Are you fully maximizing your TFSA? Don’t overlook the potential for significant future tax-free growth. Call for assistance.

Thinking ahead: Planning a tax-efficient withdrawal strategy

“A dollar’s value depends on the tax trail it travels.”

With our tax liabilities rising significantly over the decades (chart), tax planning continues to be an important part of wealth management. How and when you draw income can affect taxes, eligibility for government benefits and long-term financial health. Whether you’re building wealth, nearing retirement or already retired, a tax-efficient withdrawal strategy can make a meaningful difference. Here is a brief look at common income sources, with ideas to help you optimize withdrawals or manage income streams more effectively:

Non-registered accounts — Tax treatment depends on the type of income: interest (fully taxable), dividends (eligible for a dividend tax credit) or capital gains (50 percent is taxable). Tax-loss harvesting can offset capital gains to reduce your overall tax bill.

RRSP — Withdrawals are fully taxable and subject to withholding tax. Importantly, once funds are withdrawn, contribution room is permanently lost.

TFSA — Offers significant benefits as growth is tax-free and withdrawals are not taxed. This means withdrawals do not affect income-tested government benefits. Any amount withdrawn can be recontributed in the following calendar year.

Employment income — If you continue to work while drawing income from other sources, consider how employment income will stack with taxable withdrawals. In high-income years, deferring benefits (if possible) or adjusting withdrawals may help reduce the tax burden.

Here are additional considerations for those nearing retirement:

Canada/Quebec pension plan (CPP/QPP) — CPP/QPP benefits are taxable income. Timing matters: starting early reduces benefits by 7.2 percent per year before age 65. Delaying increases payments

by 8.4 percent per year after age 65, to a maximum of 42 percent by age 70. The total benefit received can impact income level and tax situation.

Old Age Security — Old Age Security (OAS) is a taxable benefit starting at age 65. OAS is reduced by 15 percent of the excess if net income exceeds \$93,454 (2025) and is fully clawed back at \$151,668 (ages 65 to 74). Delaying OAS increases the benefit by up to 36 percent by age 70.

Registered retirement income fund (RRIF) — Mandatory withdrawals begin the year after opening the RRIF, increasing taxable income. Some start RRSP withdrawals earlier to manage future tax exposure or reduce the risk of triggering the OAS clawback.

Company Pension — Pension income is taxable. After age 65, the pension tax credit may help offset the tax liability. Consider timing your pension’s start with other sources of income to manage the tax liability.

Income Splitting — Couples can sometimes lower their combined tax burden by splitting certain types of income when one has significantly higher income. For retirees, shifting eligible pension income may reduce taxes or the OAS clawback. For those still working, coordinating taxable income (particularly after 65) may yield tax savings over time.

Our tax liability has grown since 1976
Average income expenditure allocation (%)

20.8%	Discretionary income	21.5%
6.8%	Clothing	2.1%
17.2%	Food	11.3%
19.0%	Shelter	22.0%
36.2%	Taxes	43.1%
1976		2025

The many benefits of portfolio rebalancing

Rebalancing a portfolio involves adjusting the allocation of assets to bring it back in line with your investment strategy, ensuring it remains consistent with your risk and return profile. Why is this important? Over time, some assets may grow faster than others, shifting the balance. Rebalancing prevents any single investment or asset class from becoming too dominant, helping to manage and control risk. No matter how promising a particular security, industry or asset class might appear, maintaining an appropriate balance according to your risk profile can help protect from excessive downside exposure.

Regular reviews and adjustments are essential for effective diversification and asset allocation. Rebalancing can also provide benefits beyond just managing risk. Here are four:

1. Helps keep emotions in check — Rebalancing can remove emotions from buy-and-sell decisions by relying on allocation targets rather than market sentiment. While the principle of “buy low and sell high” seems simple, it may be difficult in practice: stocks are priced low during downturns when fear dominates and investors are focused on selling, not buying. In strong markets, investors may hesitate to sell.

2. Enables strategic capital deployment — Rebalancing doesn’t always mean selling assets. At times, redirecting new cash flow to underweighted areas can restore portfolio balance. This approach offers the added discipline of focusing on potentially undervalued asset classes or sectors, supporting the “buy low” principle by positioning new investments in areas that need more weight.

3. Balances gains and losses — Selling an overweight position may trigger taxable gains outside registered plans. These can be offset by selling loss positions or carrying forward past losses. Within registered plans, there will be no tax implications if securities are traded and funds remain in the plan, making asset location an additional consideration when rebalancing.

4. Supports charitable giving — As you rebalance, consider the opportunity to “do good” by donating appreciated holdings to a charity, instead of selling them directly, to benefit from the tax opportunity. This not only entitles you to a tax receipt for the fair market value, but also eliminates the associated capital gains tax.

Beyond asset allocation, rebalancing can strengthen portfolio discipline and wealth management. To discuss this, or any other aspect of wealth management, please reach out.



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 TFSA's, 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.

HNW investors: Be aware of the realities of elder abuse

A recent *Wall Street Journal* article profiled 27-year-old *Jeopardy!* contestant Brendan Liaw, who proudly called himself “The Stay-at-Home Son”—a term aptly added to the Urban Dictionary in 2007. The article was meant to be lighthearted, fittingly titled “*If You’re a Stay-at-Home-Son, You Must Be Living the Dream.*”¹ However, it was a sign of the times: Increasingly, many high-net-worth (HNW) families are supporting adult children for longer. While often rooted in love, these arrangements can have unintended consequences. This raises a critical question: Do our children truly understand where the lines are drawn?

There’s a fine line between providing support and unintentionally fostering dependency. When able-bodied adult children receive prolonged financial help, roles can blur and boundaries fade. In some cases, well-intentioned support may create conditions that increase the risk of elder financial abuse down the road.

What is elder abuse?

Elder financial abuse includes the unlawful or unauthorized use of an older person’s financial assets. It can also involve undue influence: persuading or coercing someone into financial decisions they otherwise wouldn’t make. Common examples include borrowing or taking funds informally with no intent to repay, misusing Power of Attorney (POA) to withdraw or transfer assets, manipulating or guilt-tripping someone into providing money or support and changing documentation (like a will or POA).

In most cases, the abuser isn’t a stranger—it’s family. A 2016 study found that 74 percent of financial abuse cases involved relatives.² Such cases are underreported, often excused when masked by love, stress or a feeling of obligation. A more recent survey suggests the issue is growing, with 29 percent of respondents reporting they know someone who has experienced elder financial abuse.³

Why is elder financial abuse rising?

Several factors may be contributing to the growing risk:

- **Aging population.** Seniors control more wealth and may face declining physical or mental capacity. One in five Canadians perceives seniors as a “societal burden,” a mindset that can often fuel mistreatment.⁴

- **Economic pressures.** High living costs, housing affordability issues and job insecurity leave many adult children financially dependent.
- **Entitlement.** Some heirs feel justified in accessing inheritance early, or believe it’s already theirs.
- **Power imbalances.** Living with or relying financially on parents can create unhealthy dynamics.
- **Isolation or decline.** Seniors experiencing cognitive impairment or isolation are more vulnerable.

What can you do to prevent it?

Practical steps can help reduce the risk, and here are some ideas:

- **Legal & financial structures** — Appoint joint or professional attorneys under a POA; avoid joint accounts unless oversight exists; consider a trust, managed by a professional, to address family complexity.
- **Professional oversight** — Involve lawyers or financial advisors (like us) early, and not just during a crisis; add a Trusted Contact Person (TCP) to financial accounts for added visibility.
- **Transparency** — Hold open family discussions about financial roles, responsibilities and expectations; establish clear boundaries: Who is the caregiver? Who has financial decision-making authority?

Do kids understand where the lines are drawn?

Often, the answer is no, and not from malice, but rather due to blurred lines, sibling tension or financial stress. As more HNW families assist adult children, the distinction between “help” and “entitlement” becomes unclear. Many simply avoid financial conversations until it’s too late. Yet early, candid dialogue—along with clear legal and financial structures—can help prevent future conflict and protect relationships and legacy. If you need support, let’s start the conversation.

¹ Wall Street Journal, June 2, 2025, p. A11

² <https://cnpea.ca/images/canada-report-june-7-2016-pre-study-lynnmcdonald.pdf>

³ <https://www.securities-administrators.ca/news/securities-regulators-study-reveals-many-canadians-unaware-of-the-signs-of-financial-elder-abuse/>

⁴ <https://cnpea.ca/en/about-cnpea/blog/1271-incidents-of-elder-abuse-skyrocket-as-census-shows-canadians-now-older-than-ever>



Emergency planning: Preparing financially & beyond

With the unfortunate reality of wildfires, floods and even a tsunami alert impacting various regions of Canada over the summer, emergency preparedness is no longer just an isolated concern—it's becoming increasingly relevant to many of us. While many high-net-worth families have long planned for unexpected life events through emergency funds and insurance, short-term crises like natural disasters often require an added layer of readiness.

In a previous newsletter, we discussed the importance of an emergency fund: typically three to six months of living expenses set aside to weather unexpected challenges such as a job loss, medical emergency or home repairs. This article focuses on actions you can take now to help support physical safety and financial continuity in response to a fast-moving, adverse event.

Your financial readiness checklist

Before a crisis

- **Keep cash on hand:** Store \$200 to \$500 in smaller denominations in a waterproof container.
- **Safeguard documents:**
 - Store printed copies of IDs, insurance, deeds and key account details in a fire/waterproof folder.
 - Back up digital versions of financial documents and estate plans to encrypted cloud storage.
- **Review insurance:** Understand your home and auto policy coverage: What is included (e.g., flooding or evacuation-related costs)? Know your deductibles.
- **Leverage technology:** Download mobile apps for key financial accounts and enable alerts.
- **Create a communication plan:** Establish an out-of-town contact and family meeting place in case of separation. Keep a list of emergency contacts, including family, friends and professional advisors.
- **Prepare for vulnerable dependents:** Plan for pets, seniors, children or those with mobility/medical or other special needs.

— Have essentials ready:

- Keep your vehicle at least half full of gas (where possible).
- Maintain a three-day supply of medications.
- Keep water, food and batteries stocked (see inset: "Planning for Your Emergency Kit").

After an adverse event

- **Document everything:** Photograph and document any property damage before cleanup.
- **Keep receipts** for all related expenses.
- **Contact financial and insurance advisors promptly** to access emergency funds or initiate claims.

The bottom line

While no one expects a natural disaster to affect them directly, the reality is that we're all potentially vulnerable. Taking a few simple, proactive steps today can go a long way toward reducing stress and protecting your financial security during an emergency. We certainly hope to never rely on these measures, but having a plan in place can provide critical support when it matters most. As always, we are here to help ensure your financial plans are designed to support you—both in everyday life and in the face of the unexpected.

Planning for your emergency kit

This kit should contain essentials to sustain a 72-hour period:

- Water—four litres per person per day
- Non-perishable food
- Flashlight and extra batteries
- First-aid kit and medications/prescriptions
- Battery-powered radio
- Important documents (ID, health cards)
- Multi-tool (e.g., Swiss Army tool)
- Power bank and backup phone charger
- Masks, gloves, hand sanitizer

For more information, see the government website: <https://www.getprepared.gc.ca/>



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.



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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