

EIGHT TAX SAVING STRATEGIES DEFINED

Can anything be done to reduce the final tax bill at death? You bet. Keeping the taxman at bay is going to involve eight key strategies, as follows:

1. Leave it to your spouse.

- Placing assets in joint ownership and named beneficiary designation eliminates the probate fees on the transfer of those assets at death.

2. Give it away today.

- Just make sure that if you decide to give your children some of their intended inheritance early, that you will not need the funds later on should you have to fund a long term care need.

3. Purchase Life Insurance.

- This valuable tool can actually create tax-free, probate-free cash immediately when it is needed, either to “create” an estate or provide the cash necessary to deal with any taxes due in the estate at death. In addition, it is a “non-contestible” asset.

4. Give to charities at death.

- There are so many ways to take advantage of this estate planning tool, which you will find explained in other issues of Future Keys.

5. Undertake an estate freeze.

- This is a highly specialized strategy for the business owner or those with significant investments. It allows for the “freezing” of the assets at today’s value, so that any growth between now and the day you pass away will not be taxed. Rather, the future growth will be taxed in the hands of your heirs.

6. Set up a testamentary trust.

- Rather than leaving your assets directly to your heirs on death, consider this strategy. It allows your heirs to split income with the trust and have control over the assets in the trust, including when the assets are distributed to them.

7. Make one last RRSP contribution.

- Believe it or not, the executor of your estate is permitted to make one last RRSP contribution to a spousal RRSP using the assets of your estate, provided this happens by the end of the year in which your spouse turns 69. You need to have contribution room available to allow for this contribution.

8. Hold assets jointly.

- Just holding assets in joint names does NOT always mean avoiding a tax hit on death, especially if it is with anyone other than your spouse. If you hold an asset jointly with your child, the “deemed sale” on your death could still give rise to a tax bill on that portion of the investment you still own.

Some closing thoughts to leave with you:

“Let our advance worrying become advance thinking and planning.” Winston Churchill

Next Issue: “Insurance – A Valuable Tax Tool”

Questions? Ask Rhona

Please talk with a professional advisor to see what options are best for you.