



FINANCIAL WISDOM

- WEALTH MANAGER -

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Yes, Trudy, there are death taxes in Canada

Ottawa dropped Estate Taxes over forty years ago. All the provinces did away with Succession Duties by 1985. We thought that was the end of taxes arising at death. We were wrong.

Ask yourself these questions:

- Do you have an interest in a pension plan, or an RSP?
- Do you own property on which you've been claiming depreciation?
- Do you own anything that has increased in value since you acquired it?
- Do you own an interest in a business?
- Do you own property outside of Canada?

If you answered 'yes' to any of these questions, **you may be hit with death taxes**, something you thought had been abolished in Canada.

The U.S. has Estate Taxes. Paul and Linda own a condo in Arizona. American legislation catches Canadians who own property in the United States.

You don't have to go outside of Canada to fall victim to death taxes. Max owns several rental properties and has been claiming depreciation on the buildings over the years. On death, some of the depreciation may be recaptured and become fully taxable. On top of that, any increases in value of the properties will be taxed as capital gains.

Steve owns a business that has been very successful, worth far more today than he paid for it. On death, his shares will also be subject to tax on the increase in value.

Tom and Pam have a cottage at the lake. It has provided their family many wonderful vacation memories. The cottage will also provide a big tax bill. Capital gains tax can be avoided on very few things, most notably your principal residence.

Then there's income tax on everything that's been growing tax-deferred in our registered retirement plans. Did we really think Ottawa would give us those deductions without expecting anything back?

You can postpone many of these taxes by leaving the asset to your spouse. But that's all it is - a postponement. Often Canada Revenue Agency gets more by waiting for its share until your spouse dies.

Fortunately, **there's a better way for most of us to pay these inevitable taxes** - life insurance. The same event that attracts death taxes can actually produce the cash to pay them. And at less cost than you might think. There is also a unique type of life insurance policy, called joint-and-last-to-die, that pays on the second death. This plan is especially effective if taxes have been postponed.

**Fictional characters for illustrative purposes only.*

We can help your estate planning questions. Give us a call!

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