

CASE IN POINT

Sales Tax Estate Planning Underwriting & Product Newsletter

Estate/Testamentary Trust up to Dec. 31, 2012



New laws affecting estates and trusts took effect Jan. 1, 2016. What happens to estates and trusts that are more than 36 months old?

Meet Maurice, whose partner, Caroline, passed away Sept. 8, 2012. Caroline grew up in a blended family. She had inherited a condo from her mother who passed away in Kelowna, BC who had died earlier the same year. There were some registered and non-registered investment monies, jewellery and household effects. Caroline had been named executor/estate administrator of her mom's estate.

Caroline had a child from a previous relationship, a problem child and now an adult who was still partially dependent on ongoing cheques from Caroline. She was also dealing with some disgruntled and mistrusting siblings. With estate laws changing in BC and Ontario through the intervening years, Caroline's estate was still active. Maurice had been allocating income between Caroline's estate and beneficiaries, benefitting from income splitting and the graduated income tax rates available to testamentary trusts.

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Peter works with independent advisors and other professionals raising awareness on issues and concerns faced by affluent individuals, professionals and business owners. He supports efforts in researching and developing optimal solutions for clients aimed at improving their financial well-being and supporting their personal wishes and lifestyles. He annually provides 100's of workshops, seminars and technical support throughout the country on tax, retirement income and estate planning issues, concepts and strategies to both advisors and consumers. As a Registered Financial Gerontologist, a good deal of his time is spent on building awareness and educating people of all professions who work with or specialize in the needs, expectations and issues of elders. Comprehensive lifestyle planning is an important element of these processes.

The Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team provides internal and broker support, including seminars, education, advanced concept illustrations & Client case technical consultations.

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What does Maurice need to know about the new rules affecting trusts that took effect Jan. 1, 2016?

Caroline's estate no longer qualifies for graduated tax rates. Her estate is deemed to have a yearend on Dec. 31, 2015. Maurice needs to report all income earned since the last reporting period. This is the last return that qualifies for the graduated income tax rates. Caroline's estate, in essence a testamentary trust, now has a Dec. 31 year end and is subject to the new federal top marginal tax rate of 33% which also took effect Jan. 1, 2016 plus applicable provincial income taxes from thereon.

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