CASE IN POINT

Sales Tax Estate Planning Underwriting & Product Newsletter

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Testamentary Trust
Jan. 1, 2016 and onwards

What is the tax treatment of an income trust set up Jan. 1, 2016 and onwards?

Meet Walter, who has two adult children from his first marriage. He then met and married Cynthia. Walter had set up a spousal trust in his will providing her with a life interest in assets transferred to the trust on his death. His children were named remainder beneficiaries of the trust.

Cynthia is widowed, Jan. 11, 2016

The spousal trust is ineligible for graduated rate estate election.

A spousal trust is subject to calendar year reporting effective the year end beginning Dec. 31, 2016. It is subject to the new federal top flat rate income tax of 33% plus applicable top provincial marginal income taxes. The trust is also subject to quarterly income tax instalments.

The trust does not qualify as a personal trust and will not enjoy certain tax benefits including the ability to transfer property to beneficiaries on a tax deferred basis. Only graduated rate estates will automatically qualify as a personal trust without regard to the circumstances in which beneficial interest in the trust has been acquired.

Peter A. Wouters,
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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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