D.W.Good INVESTMENTS

Suite 400, 22 Sir Winston Churchill Ave
St. Albert, Alberta, T8N 1B4
rrspadvisor@shaw.ca
Phone (780) 460 9599
Fax (780) 460 1816
Toll Free (888) 461 9599
www.dwgoodstal.ca

From the Desk of Laszlo Szojka

SPRING 2016

TAX CHANGES APLENTY!

2016 is going to see major change to several tax measures.

Gone is the Alberta flat tax of 10% on income over $18,451. The introduction of 10 new tax bands after taking into account both provincial and federal tax changes makes using a tax program all the more important when filing your income tax. The removal of certain family credits, loss of income splitting for families, and a new marginal tax rate are among some of the main changes. The tax savings promised to the middle class, those earning between $45,282 and $90,563 amounted to a maximum of $679.22 at the higher end. Seriously, $55 a month when you get rid of income splitting for families is a drop in the bucket coupled with 100 billion of extra debt just on the federal level over 4 years. The interest payments alone your children and grandchildren will make will far exceed that $50 savings a month today.

Now to be fair, if you have children AND are in the lowest income category (under $30,000), you received a boost. I think taking care of the country's most vulnerable is very important. Education is so very important but what I have discovered from most of my meetings with people is that the number one issue they mention is this: "They didn't teach me basic finance in school."

As for investments, the Federal Government has also changed how it treats certain tax deferred mutual funds that were listed as corporations; these funds are Corporate Class funds. This will have a huge impact on small business owners, retirees, savers and others who have invested money outside of RRSP's and TFSA's for tax deferral. No warning or hint of this change came which is very disturbing to say the least, and just in time for higher tax rates that will apply. This does not mean that corporate class funds are not a good investment; quite the contrary. But the available options of moving between investments is now gone as of October 2016 so the choices have been greatly scaled back. At least the TFSA's are here to stay for now, but the amount you can contribute was rolled back to $5,500 per year from $10,000.

Oddly, in politics, what is said or promised is not what actually happens. TFSA's are actually the best investment for lower income individuals over RRSP's on incomes below $45,282. Both accounts grow your money tax deferred, but TFSA's are treated as after tax dollars forever. If you consider that many of the programs the Government offers to lower income individuals by their nature are "income tested," then if you have investments that are considered income from RRSP's/ RRIF's, interest, dividends, capital gains which increase income, government benefits get reduced. TFSA's are a way to have savings that does not affect government benefits for low income individuals. Logically, cutting back TFSA's was NOT the way to go. It all boils down to education. YOU have to know how the financial and tax system works but they do not teach it in school.

ESTATE ISSUES AND EDUCATION

Besides a WILL, did you know that the other document that is extremely important in your financial plan is the ENDURING Power of Attorney. Not to be confused with a "Power of Attorney," an Enduring POA is needed when you are alive but unable to handle your affairs if you become incapacitated! A Power of Attorney can be used BEFORE but not AFTER becoming incapacitated. Know the difference.

If you are a snowbird, did you know that a Canadian WILL or even an enduring power of attorney may not be valid for the US state you are living in? Become aware of the requirements if you hold any US property or live in another country. Do not assume for your families sake.

Did you know that if you hold US citizenship, you are obligated to file yearly with the IRS? This may even apply if your parents are US citizens or if you were born in another country including Canada to US citizens, you may indeed be required to file though you hold no US passport? Because financial institutions around the world are required to file with the US any known connection, if you think you have any connection to the US, it is best to educate yourself on the rules. Past Green card and work permits may push you into that category as well.

Did you know that if you hold US property, including a single stock in a single US company, **excluding** those in mutual funds, depending on your total net assets on death, you may owe the IRS! Even if you never set foot in the US and are not a citizen, your estate may be subject to US inheritance taxes because of these simple US property connections. Owning one share of Apple stock is all that is required. Of course your net worth at DEATH must exceed at least 5 million US dollars but considering they treat ALL assets in that calculation such as home, life insurance, TFSA's, RRSP's, pensions etc. Be aware! Some small business owners, farmers, among others have assets that push those values up.