MC Wealth Management

MC Wealth Management Newsletter

Spring 2016 Update

What is in this issue?

I cannot help but reflect on how similar the Weather and the Financial Markets have been this year. Ontario weather used to be nice and predictable; we knew winter would be cold, fresh and crisp and spring would be the transition from winter to summer. This year, without the calendar telling us the date, most December and January days could have been confused for spring days while March and April were often more like winter. What to do but plan for all events and enjoy each day as it comes with a mind for the coming summer.

The markets also used to be relatively predictable, staying flat in January, some price increases in February when RRSP contributions were being made and then settle down in the spring. This year they acted out of sync. January saw some of the most tumultuous days in one week on record only to bounce back and exceed where the year started by March. There have been many days when things went up or down for varying reasons, some predictable, some not. The thing to do during these times is stick to your plan, check that you are still investing or only drawing what is needed and continue to have a view for the future.

In this issue I have included an article on a recent budget proposal that may affect some of your investments, information on old Standard Life insurance policies, information regarding taxes at time of death and a continuation of the Value of My Services series.

Corporate Class Funds

There was a proposal announcement in the 2016 federal budget that will change the tax treatment of certain mutual fund investments if held in a non-registered portfolio. If you have accounts where we have invested in Corporate Class funds, previously we could switch from one fund to another and not trigger any taxes.

As of October 1st, this exemption will be eliminated. Corporate class funds will continue to offer other tax benefits as a result of their corporate structure, including offering a low dividend payout policy. Capital losses from some corporate class funds may offset gains in other funds in the structure**.** When the funds do issue distributions, they are in the form of Canadian and capital gains dividends, which are currently the most tax-efficient sources of income. This is the case regardless of the mandate of the fund, as corporate class funds cannot distribute highly taxable interest or foreign income.

With corporate class, expenses generated by all of the funds can be aggregated and used to effectively reduce the impact of interest and foreign income within the structure. Finally, it is important to consider that without the tax-deferred switching, corporate class mutual funds are simply being treated like other mutual funds, and they continue to offer the same benefits – diversification, professional portfolio management and ease of investing. I will continue to monitor this issue and will notify you of any developments that will affect your portfolio. If you have any questions about this issue or your investments, please contact me.

Do you have old Life Insurance policies?

"Someone's sitting in the shade today because someone planted a tree a long time ago."
– **Warren Buffet**

It might not be millions, but it could be a nice chunk of change. Standard Life — a U.K.-based asset management company — is looking for about 2,700 Canadians, who are owed money from 2006. That's when the company converted from being a mutual, or customer-owned, company to a stock company listed on the London Stock Exchange. At the time, there were about 2.4 million policy holders entitled to cash or shares. The company has transferred owed cash over the years, but now it's down to about 60,000 individuals that Standard Life is still trying to find.

"We've been working hard to trace those with a valid claim and have tracked down the vast majority," said Standard Life company secretary Kenneth Gilmour in a news release. "However, there are still some people eligible who have not claimed and our efforts to find them are continuing." The estimated average payout owed to Canadians — mostly residents in Ontario, Quebec, Alberta, British Columbia and New Brunswick — and is more than $2,500. Those who applied for a "with profits" policy with the Standard Life Assurance Company by March 2004 — and had such a policy in force in May 2006 — may be eligible. But those entitled to make a claim have only until **July 9** to file. Claimants can contact Capita Asset Services, which will handle the claim for a 15-per- cent administration fee, or contact Standard Life's shareholder services directly.

Where is the money?

Bank of Canada - Unclaimed monies in bank accounts, term deposits, or GICs are turned over to the Bank of Canada if there has been no activity for 10 years. The central bank will hold unclaimed balances of less than $1,000 for 30 years, and anything over $1,000 will be held for 100 years. After that, the money goes to government coffers. At the end of last year, the bank held about $626 million.
Office of the Superintendent of Bankruptcy Canada - This government office holds unclaimed dividends — money collected for creditors by licensed insolvency trustees during a bankruptcy. It usually involves funds owed to creditors, but the creditor cannot be found. This database holds $19.5 million in unclaimed dividends, with the largest single amount at more than $179,000.
Insurance companies - Individuals can contact insurance companies if they believe unclaimed property is being held. This could include funds resulting from an insurance contract, financial product or even premium refunds.
Databases - Some provinces including British Columbia, Alberta and Quebec have online searchable databases for unclaimed assets, where individuals can look for forgotten funds. Nova Scotia has a website where unclaimed inheritance money is held in cases where heirs cannot be found. If not claimed after 40 years, the money goes into the province's general revenues.
Forgotten places - And if your name doesn't turn up in any of those spots, there's always rummaging around in couch cushions to find a few loonies or toonies, or looking in the pocket of little-worn suit jacket.
Or find that old lottery ticket, and go check the numbers.

Reprinted from: Vanessa Lu Business reporter, Published on Wed Apr 06 2016

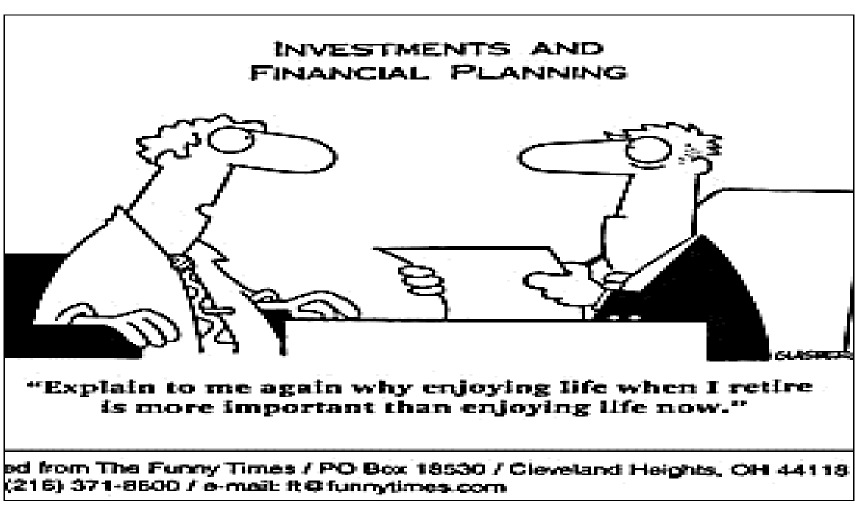
Mutual Funds and Taxes due at time of Death

There are no death taxes in Canada but there are some items you may need to be aware of:
1 – Registered money such as a RRIF or LIF is taxable to the person who dies but in most cases, the taxes are not withheld by the fund company when the assets are paid out to the beneficiaries. This means that at the end of the calendar year, the person who died will receive a Tax slip and will have to remit these taxes. The executor must be aware of this and ensure enough money is retained in the estate to cover the taxes or they will have to go to the beneficiaries for this money.

2 – Non-registered mutual funds will issue a T3 or T5 slip at the end of the calendar year on the growth of that investment and there could be taxes due by the person who died so again, the executor will need to be aware of this potential tax situation. The amount of the gain could be estimated, however. The actual amount will not be known until year end.

3 – TFSA accounts allow you to name a beneficiary but they did not offer this feature in the first few months of existence. I recommend you confirm that you do have a beneficiary designated on these accounts. At time of death, the account will transfer tax-free to your beneficiary. If they have room in their TFSA, this will continue to grow tax sheltered, if not, the growth on the assets from date of death on will be subject to taxes the same as a non-registered account. At that time, it would be good to ensure the investments are earning capital gains and dividends which are taxed at a lower percentage than interest earning products.

I have encountered some situations after a person had died where these issues where not considered and it is often too late after death. Please feel free to call or email to discuss these or any other estate planning questions you may have. That is what I am here for!



The Value of my Financial Services

To continue with the theme of Value for Services, for those of you who are my Investment clients, I want to make you aware of new information you will see on your December 2016 Financial Statements. This is a new regulation that take effect at the end of this year and will be required by all mutual fund dealers including the banks.

As we have discussed together and I have outlined in my prior newsletters, there are fees inside a mutual fund called Management Expense Ratios (MER). These fees are used to pay for the services you receive from me, your financial planner, Investia Financial Services Inc., your mutual fund dealer and the Mutual Fund Company you are invested with. On your statement, you are going to see the actual annual dollar amount paid to Investia Financial Services by the Mutual Fund Company that is associated with your investments.

Example: You have investments of $100,000 at year end. On your statement you can see you have $40,000 in Front End Load (FEL) and $60,000 in Deferred Service Charge (DSC). As stated in my Autumn 2015 newsletter, the annual trailer fee paid on FEL funds is 1% and on DSC is 0.5%. The amount you will see having been paid to Investia in 2016 is $40,000 x 1% = $400 plus $60,000 x 0.5% = $300.00; total paid is $700.00 as the trailer.

If you made new investments into the DSC version of mutual funds, the fund company will remit 5.0% of the amount you invested in the year to Investia.

Example: You invested $20,000 this year, 5% or $1,000 is paid to Investia.

I receive a portion of these amounts from Investia. I suggest you call or email me if you would like further information on this and the impact it has on you and your investments.

Have you seen our new place?

New address is: **50 Commercial Avenue, Suite 200, Ajax, Ontario, L1S 2H5. 905-427-4406**

Wondering how to find us? Look for 'Michaels Eatery' at the corner of Commercial and Station. The Door to '50 Commercial' is next to Michael's and we are upstairs, **Suite 200**.

Our Contact Information:

Debbie McCulloch – debbie@mcwealthmanagement.ca

Anne Marie Mucci – annemarie@mcwealthmanagement.ca

www.mcwealthmanagement.ca

Investia Financial Services Inc. mc Wealth Management