

The Broxterman Bulletin

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Wealth Management
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The Broxterman Group of
RBC Dominion Securities

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Welcome and thank you

A warm welcome to the clients who have recently joined us and thank you to the clients who mentioned us.

We also want to thank our existing clients for their continued loyalty.



How relationships are defined in Canada

Your legal relationship status can have an important impact on your financial planning. Following are the different ways your relationship can be defined in Canada.

Marriage

In Canada, the responsibility for marriage is divided between the federal and provincial governments. The federal government is responsible for the definition of marriage and for laws governing divorce, while the provinces and territories are responsible for the licensing and registration of marriage.

Legally recognized relationships

Civil Marriage Governments are concerned only with civil marriage. Religious marriages, by themselves, have no legal effect. The difference between religious and civil marriage is often invisible in Canada. In most provinces and territories, religious officials are licensed to simultaneously conduct the religious and civil marriage.

Civil union/Domestic partnership

A civil union or domestic partnership is different from a civil marriage. It is a registration system that allows two individuals to register their relationship in order to trigger legal consequences. This system is only available in certain provinces and territories.

Common-law relationships

Common-law relationships are legally recognized in Canada provided that the couple can show they have been living in a marriage-like relationship for a certain amount of time. Under most federal laws, that time is one year. Under most provincial and territorial laws, it is two or three years.

Same-sex marriages

In July 2005, Canada legalized same-sex marriage with the passage of the Civil Marriage Act.



- Stepfamilies now represent about one in eight families with children in Canada.²

- 70 percent of families fail to successfully transfer assets from one generation to the next.⁴

Making wealth transfer work for blended families

Finding the right balance within this complex estate-planning situation

Family. It's a term that carries a number of different meanings for different people, and one that has changed greatly over the last several decades. More traditionally referring to an intact nuclear family (a family group including a father, a mother and their biological or adoptive children in which both biological parents are present in the home),¹ what constitutes a family unit has

vastly broadened alongside shifts in societal norms. Imagine taking a snapshot of current Canadian society as a whole. It would quickly be evident that the "traditional" family as we once knew it is much less common — these days, the who and the what that defines a family is much more diverse, and a main type that's becoming increasingly prevalent is blended families. In



Addressing the complexities of “yours, mine, and ours.”

fact, stepfamilies now represent about one in eight families with children in Canada.² And, given that approximately 75 percent of those who divorce ultimately remarry or re-couple,³ it's clear why more complex family situations are on the rise.

For those who have experienced or are going through the change of blending a family, there's no denying it may often seem turbulent and all-encompassing. Roll in the additional complexities that arise when faced with wealth transfer and estate planning, and the entire decision-making process may feel downright overwhelming. While the layers of challenges are difficult to steer through, the process can, however, be successful with an approach that prioritizes proactive communication, an understanding of key factors and employing strategies that meet individual needs.

Establishing and maintaining open dialogue

Blended family or not, a key aspect of successful wealth transfer and estate planning is communication. According to a 20-year study by The Williams Group, 70 percent of families fail to successfully transfer assets from one generation to the next. And the root of the failure was family dynamics, lack of trust and poor communication, not complex legal and finance aspects of estates.⁴ And while it's a topic some individuals and families avoid because it can generate feelings

of discomfort or lead to tough conversations, it's important to think about the flipside — without those discussions, there's no assurance that wealth will be passed down according to an individual's wishes and in a way that promotes harmony based on agreed-upon family goals.

Specifically for blended families, communication takes on an even greater level of importance because of the additional factors, emotions and relationships that need to be carefully mapped out. To achieve an environment with open dialogue, some beneficial strategies to streamline the process are bringing children into the conversation early, open discussions to determine and evaluate expectations and family goals, and consistent check-ins and communication with all family members who will ultimately be impacted by the plans.

Knowing the facts to avoid pitfalls

Individuals in a blended family may sometimes feel pulled in any number of directions, trying to find some sort of balance to ensure family members are treated equitably while at the same time aiming to avoid potential feuds and turmoil down the road. Stress levels can also be increased given the fact that in some provinces, surviving spouses and dependants can make a claim against the deceased's estate if the estate plan or Will doesn't adequately provide for their needs.



When determining who will inherit assets, one of the largest missteps some individuals make is not keeping beneficiary designations updated.

Here, it becomes important to first understand certain considerations and then use that awareness to drive decision-making.

Recommended planning guidelines

1. Review beneficiaries and estate-related documents

When determining who will inherit assets, one of the largest missteps some individuals make is not keeping beneficiary designations updated. For example, in general, a divorce or relationship breakdown will not revoke a beneficiary designation on a plan. That's why it's vital to revisit any plan where a beneficiary is named, such as an RRSP, insurance policy or work pension, upon a marriage breakdown, a new relationship or anytime an individual's situation changes. Outside of those scenarios, a good rule of thumb is to revisit these plans every few years to assure the choices are still in line with intentions.

And while a Will may be the last thing on an individual's mind amidst a separation, divorce or re-marriage, neglecting to draft a new one can lead to some significant problems. This is because marriage cancels

any previous Wills, so if someone remarries and then passes away without preparing a new Will, their estate would be treated as if they died intestate (without a Will). For those who have separated or divorced, updating a Will is also important, because separation and divorce do not cancel an existing Will in many jurisdictions.

2. Choose the right executor

Understandably, selecting an executor takes on a heightened level of complexity with the additional relationship dynamics in blended families. Some individuals struggle to choose among their spouse, children from their prior relationship, children from their current relationship or a combination. What it comes down to, however, is focusing on how well those individuals will be able or willing to work together in the administration of the estate. A potentially effective alternative is a neutral third party (e.g., trust company, lawyer, accountant), which may help to lessen any emotional ties that may negatively impact the process. And while some individuals may be hesitant about the fact that a third party may incur increased costs for the estate, it's important to weigh this against what the costs may be if a litigation were to ensue.

3. Build customized strategies

One of the biggest challenges for some is creating a plan where all parties are satisfied, in which the surviving spouse or partner is taken care of while the biological children become the beneficiaries of the assets. What those in a blended family situation need to know is that there are strategies out there that specifically cater to their circumstances and that are designed to help navigate around the complexities.

The value of marriage contracts

Despite the stereotypical assumptions about prenuptials and marriage contracts, the reality is that they serve multiple beneficial purposes, especially in re-marriages. It's therefore important to get past any misconceptions and instead look at these contracts as the foundation that lays the groundwork for smooth, successful estate planning. These agreements are valuable tools for assuring both people in the relationship are protected, and they present a very effective way for both spouses to

outline what assets each will allocate to their respective children. And while they represent a good start, it's important to remember that they by no means replace an estate plan. Another key point here is ensuring the intentions indicated in the marriage contracts match up with the terms of the Will — if they don't, this may set the stage for legal battles among heirs.

Gifts and trusts

Whether individuals want to divide assets during their lifetime or upon their passing, a number of options exist. Outright gifts may be ideal

for individuals who want to see the benefits of the gift while they are still alive or who feel strongly about helping children now during life events such as education or a downpayment on a home. With gifts, however, just be mindful of the fact that gifting means giving up control over the assets.

Trusts, on the other hand, are an effective method for distributing assets in a way that helps solidify a particular outcome, while at the same time creating the ability to tailor to individual preferences. The following chart highlights some key types.

Trust	Details and potential advantages
Alter Ego	<ul style="list-style-type: none"> • Inter vivos (during lifetime) • Must be 65 years of age or older when establishing the trust • The settlor (creator of the trust) is entitled to income and no other person other than the settlor can receive or use income or capital from the trust during the settlor's lifetime; at death, assets are then distributed according to the trust agreement • Assets transfer outside of the estate; protects against challenges to the Will
Joint Partner	<ul style="list-style-type: none"> • Inter vivos • Must be 65 years of age or older when establishing the trust • Only the settlor and his or her spouse or common-law partner are entitled to receive income from the trust until both individuals pass away • No other person other than the settlor and their spouse or common-law partner can receive or use income or capital from the trust during their lifetime • Ensures surviving spouse or partner continues to receive the benefit of the assets during his or her lifetime • Upon death, assets transfer to the beneficiaries, which could be the children from a previous marriage • Assets transfer outside of the estate
Testamentary	<ul style="list-style-type: none"> • Comes into effect after death; generally, terms set out in the Will • Presents options to provide for all desired beneficiaries who are part of the family • May offer a level of control over the timing for the distribution of assets to beneficiaries • Possible to establish more than one trust for different family members
Testamentary Spousal	<ul style="list-style-type: none"> • Comes into effect after death; generally, terms set out in the Will • Provides support to surviving spouse; can also direct that on spouse's or partner's death, remaining assets get distributed to children • Creates tax-deferral benefits on the rollover of assets to the spousal trust and ability to protect family interests

Note: The information in this chart may not necessarily apply to your personal situation. To ensure that your own circumstances have been properly evaluated, it is important to consult with a qualified tax and/or legal advisor to determine the best options for your individual needs.

Utilizing life insurance

Depending on family dynamics, life insurance may be another effective option. While the specifics of policies need to be addressed by an insurance professional, the general strategy rests in the fact that proceeds of a policy will be available at death, effectively creating an inheritance to leave to beneficiaries. What this does is address the challenge of establishing equity among the children and the surviving spouse — designating children may satisfy your obligations to them, thereby freeing up the estate to be left to the surviving spouse.

Amidst the extra layers of emotions and challenges that fuel decision-making within some blended families, estate planning can quickly drift off course. To help smooth the process, it's important

to first accept that a blended family situation may change your planning, but then recognize that there are effective ways to simplify and work through it. With the right tools and approach, individuals can get beyond the worries of “yours, mine, and ours” and make equitable and personalized plans that can help to effectively manage the change.

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For more information or to speak with an RBC advisor, please call us at 1-855-833-6511 or visit our website at rbc.com/estateandtrustservices.

*In Quebec, an Executor is referred to as a Liquidator; a Power of Attorney is referred to as a Protection Mandate.

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Personal touch



Damaso family Christmas photo



Carolyn's daughter Liz graduates from KCI High School



Mike and his family enjoying a family ice skate



Tony and his granddaughter Amy on the drums

Thank you for your ongoing loyalty to The Broxterman Group of RBC Dominion Securities. We would be pleased to provide a complimentary wealth management assessment or financial plan to any friend, family member or colleague you refer to us.



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