0:00
Yeah, I know. Okay.
0:02
So, Pravin,
0:06
yeah. So, let's this let's set the stage,
0:09
right? Yeah.
0:10
We're talking about uh estate planning today.
0:12
Yeah. And we're talking about a real client
0:15
situation we came across not too long ago. Uh but this one was very uh
0:19
interesting because it had a lot of elements that we see in other files, but
0:23
this one had like a lot of them present in one place.
0:26
Yeah. So that's what makes it a good case study for anybody to learn from um
0:31
and and see what uh you you know you should be doing and should not be doing
0:37
and then learning from this particular instance. So
0:40
Robert um Mr. Robert Hale
0:43
Mr. Robert Hail. Yeah.
0:44
Uh set up a very successful business. Yeah.
0:47
Um in manufacturing um is in his late 70s,
0:52
has two kids, both live outside of Canada and um is married obviously his
0:59
wife. Wife is not involved in the business.
1:02
Wife is not involved in the business and amassed serious amount of value. Mhm.
1:08
And when we did the calculation of his taxes on death, it came out to $10
1:12
million. Yeah.
1:14
And that was just base case do nothing scenario. As of today, if he dies,

1:19
what's the tax bill? Mhm.
1:22
Now, to calculate the tax bill, it's very simple. You take the
1:27
um total value.
1:29
Total value of everything. Yeah. Total value of everything that you own minus
1:32
the cost equals your gain. Yeah. And then you pay the tax on it.
1:37
Yeah. And in in this case, like Mr. Robert Hill had multiple corporations.
1:42
Yeah. Had a lot of investments in those
1:44
corporations, real estate investment portfolios, and his actual operating
1:48
business. That's right.
1:49
So, including the shares of his corporations and all his investments, he
1:54
was looking at a $10 million tax bill. Yeah. And that's just a starting point.
1:59
And um on top of that, Ontario has something
2:02
called a probate fees which if you plan around you can reduce
2:07
it eliminate to most extent but um in this case I think the even the
2:12
base case scenario probate fees do nothing was about a million dollars in
2:15
probate fees on top of the income tax. Yeah. which yeah adds another layer
2:21
which surprises a lot of people because people just think
2:24
tax is income tax
2:25
income tax should be more than enough for someone to pay
2:28
10 million should be more than enough. Yeah.
2:30
And then in Ontario there's more than that that if you're a resident here then
2:33
you have to pay potentially some probate fees.

2:36
Yeah. So let's get into it. I think it's good
2:38
to like break down um uh you know dos and don'ts. I don't think Robert is or
2:46
was reckless in what he had. I think he was just too busy building a business
2:52
and very late realized that he needs to do something in respect of thinking
2:58
about his future and the tax planning his next chapter in life whatever and
3:05
then eventually we got in touch with him and
3:07
rest is history in terms of putting something together for him.
3:10
Yeah. Yeah. Let's do it. So, um, what's the next thing
3:17
now? So, this is supposed to be meet Robert.
3:19
Oh, okay. This is supposed to be also meet Robert.
3:24
Um, this is talking more about going into where the kids live. I guess
3:31
his wife being there, his grandchildren, his
3:34
slow decision making, why he never planned early, I guess.
3:38
Yeah. I guess like this is talking about repetitive
3:46
but then how
4:03
so You want me to start?
4:09
Yeah. Yeah.
4:11
So, like I guess we can go into how So, he got in touch with us. We showed
4:18
him his tax bill. Yeah. We started with phase one.
4:22
Yeah. And then we started looking at a structure. I think this is looking more
4:26
at minute books and stuff. So, discovery phase.
4:31
Yeah. Yeah. Okay.

4:37
All right. So, Pine, when we're looking at any case, right,
4:42
um there are lots of complexities and requires a lot of time and attention to
4:48
go through someone's um you know, tax situation carefully and weigh different
4:53
options. So, maybe let's just break down like what is that process generally
4:58
looks like and what we went through in this case.
5:01
Yeah. No, typically we do ask all clients to provide
5:07
all of their financial statements, their tax returns, their minute books to kind
5:12
of build a narrative of their situations or structure.
5:16
Yeah. Because we're looking at when when
5:18
you're looking at taxes on death, you have to understand what the individuals
5:22
own, right? The family owns. And typically in in Robert's case, he had
5:27
multiple corporations, right? and he's a he built a lot of wealth in these
5:32
companies and he had his operating companies as well and he his kids were
5:37
in um out of Canada he had also some business out of Canada so it involves us
5:42
asking a lot of questions getting familiar with the family you know their
5:46
residency asking those questions looking at their personal tax returns their
5:50
corporate tax returns but we also um get them to fill out a network statement you
5:56
know um which just involves you jotting down the total assets that you own
6:01
there, the estimated market values, the liabilities associated with it just so
6:06
that we can then arrive to that gain like what is the gain on all your
6:10
assets, right? In order for us to give an idea of what taxes you're looking at,
6:15
we calculate that number for you and give you that rough idea.

6:18
Yeah. But when we're like looking through all
6:21
of that information and like in Robert's case, he didn't have any minute books.
6:25
Yeah. And and
6:28
T you're like typically when you open up companies, you know, you get a lawyer,
6:32
they they open up a minute book for you, it tells you the history of the company,
6:35
any transactions that occurred. It will document all that. So, it gives us a
6:39
good understanding of, you know, what shares exist, what's happened in the
6:44
past, were there any tax planning, was there any tax planning done in the past?
6:49
We like looking at all of that, right? Yeah. But in this case, there was no
6:52
history and we really did have to rely on the client to tell us who owns what.
6:59
Right. Yeah. I mean, it's it's very important
7:02
early on to go through this process of discovery where you set the stage,
7:08
understand who owns what, what are the values,
7:13
what are the different nature of assets that they own. Yeah.
7:16
What is the value of each asset? and get a fundamental understanding of those
7:21
items. Uh including looking at the tax history, financial history,
7:27
um and uh looking at their existing wills,
7:30
the network statements like you said, if they have life insurance,
7:34
that's important. Also getting confirmation of residency that the um
7:39
that the family has and who's in their family like is it you know the husband,
7:44
wife, kids, where do the kids live? All of these
7:47
parents, any dependents other than kids. That's right. Who's involved in the

7:51
business, right? Yes. All of these like basic fundamental
7:54
elements are so important because now you're really trying to get an
7:58
understanding of their situation and standing in their shoes to understand
8:02
well what now like given that this is where we are um what are the options
8:08
that will now align with the objectives. Yeah. And the objectives sometimes
8:13
aren't just tax, right? you're you're the there could be so many different
8:16
objectives. So, it's good to understand the family history and knowing the
8:20
dynamics within the family when it comes to estate planning
8:23
and and what their their goals are like in the future as well.
8:28
Yeah. I mean, Robert's goals are, you know, his mandate to us like, well, what
8:35
am I supposed to do? Tell me. Yes. Yes. I think a lot of people
8:38
didn't really articulate to us. Yeah. Yeah. And I I do think sometimes
8:42
it's like a bouncing like they need someone to bounce ideas off of cuz they
8:46
don't know where to start. Yeah. Right. And I I think like we help them
8:50
start and um through questions um and feedback
8:54
articulating their their objectives too, right? Like
8:56
Yes. Helping putting the words to what they mean to
8:59
actually say perhaps.
9:02
Yeah. And with Robert like you know he has two kids. He built this business,
9:07
but his children um weren't they aren't in Canada and um they did not want to be
9:13
involved in the business. Yeah. Yeah. And you know that was a big
9:18
question mark and like what am I supposed to do with this business? I'm

9:21
in my late 70s. Help me figure out or facilitate
9:25
what are my options, right? Like I mean he's best in the industry that he's in.
9:29
Yeah. But knows nothing about succession,
9:32
right? uh hasn't thought about it very long in his in his career about that.
9:37
Yeah. Um
9:39
which is I think common too, right? Which is quite common. It's a big
9:42
decision to make. That's right. I think a lot of people
9:44
put that off. Yeah. Especially if their founders
9:46
think about inevitable. No, they don't speak. They don't. And
9:51
it's a big decision. It's a hard decision. They need help from their
9:54
adviserss to make that decision. Yeah. And I also think like when you're
9:59
running a business, you're busy running that business, right? And you're and
10:04
like with Robert, like he wants to continue working.
10:08
Yeah. Yeah. And I think that's a good thing. Like even if you're late 70s,
10:11
you're so like motivated to work. I think that I respect that. I think
10:15
nothing nothing better than that, so to speak, if that's your passion and you
10:19
really want to continue it. But I think it's it would be it would be um
10:24
uh not a good idea to ignore the reality of where things are going and moving.
10:29
And suddenly you're taken out of the picture. You have to figure out
10:33
well is my family going to be able to survive this um
10:37
without me, right? What will happen to my business? Is my business ready to
10:41
continue on? What is a continuity plan for that?

10:44
Yeah. Will my family even know where my assets
10:46
are? Do they have passwords to my bank
10:49
accounts? uh can they even go to the bank and
10:52
access those assets? Like, you know, that's a big question. A lot of families
10:57
don't know what their other half or like, you know,
11:00
significant other has. Sometimes there's no complete list or inventory of things.
11:04
Yeah. You always like, you know, when you're just living life, you divide your
11:08
responsibilities. Yeah.
11:09
And you kind of trust your partner to do those responsibilities. But when you're
11:13
out of the picture for so long, there needs to be communication.
11:16
That's right. about those things especially if you have a business or
11:20
multiple there's a lot of assets in different places.
11:24
Yeah. And I think that that uh that gap of knowledge about where things are at
11:30
is also something that they now have to make sure that they synchronize within
11:34
the family members and also gather trust that if I were to
11:38
now disclose all this information, it's not going to
11:41
um create any other family issues, right? Like
11:45
I think within within the spouses, I think it's an expectation that they're
11:48
not going to be surprised by what you have in most cases. But sometimes it's
11:53
about the kids, right? Like you don't want to disclose too much about your
11:56
wealth or maybe sometimes you don't. Yeah.
11:58
And it's a personal it's a personal uh preference as to how much you are open

12:03
with your wealth with your kids and what this stage what stage they're at.
12:08
Yeah. Right. So I've had situations where like
12:10
the kids are like in their you know uh in their 20s mid20s they're still
12:16
figuring out life and see what they're going to do in their careers and uh
12:20
sometimes don't have very much good idea in terms of how much wealth the parents
12:24
have. they have led a good life. They're sheltered,
12:27
but then suddenly they like if they're disclosed, hey, your parents are like
12:31
really well off. Let me just quit my job and just
12:33
then they might just take over the motivation.
12:35
Parents credit card. Yeah. Yeah. And I think that's a real uh
12:40
u that's a real problem in the parents eyes that they just want to keep that
12:45
information to themselves. Yeah.
12:47
Uh not to say every family's the same way. I think some are very also
12:51
transparent. Yes. But in um you know coming back to
12:55
Robert's case I think um having peace of mind making sure that
13:00
there's no issues arises if he's no longer present um you know that was a
13:06
key key thing. Yeah.
13:07
And then also the fact that you know also knowing like okay how much taxes do
13:11
I have to pay? Yeah.
13:12
Where am I going to come with the money? And where like where are my kids going
13:16
to come up with that money? Yeah. Yeah. You're right. It's not
13:18
really him. It's really his family who has to come with the money. Right.

13:21
Yeah. like does he does he want to help out after he's gone? Right? It's like
13:25
that's how you kind of think about it. And I think that's that's a
13:28
fundamentally such a basic question and and the question that brings a lot of
13:31
tension because um you don't necessarily sit in cash when it comes to the value
13:38
of your assets. They're tied to real estate. They're
13:42
tied to, you know, maybe assets in stock portfolio. They're tied to business in
13:48
your business. Yeah, you can't monetize that business and
13:51
suddenly make money from it. No.
13:52
Right. And you can't sell it instantly. Real estate is the same way. Like market
13:56
today in this economy is down. Yeah.
13:59
So you don't want to sell it right away.
14:00
This is not the best time. You want to hold on to it. Yeah.
14:03
So you want to hold on to it. But like you know these are the types of
14:06
situations when like families have to face when the principal u person making
14:12
the decision related to finances passes away and their families are now faced
14:16
with those very hard decisions. Yeah. and now they have to come up with
14:19
the money and then they usually go and like do a fire sale
14:23
of all their assets do in order to come up with the money because they feel
14:26
because like I think we should just let everyone know that tax bill is due
14:30
upon passing upon passing like when April comes
14:34
around that's when personal tax returns and um your payable comes up. There's no
14:38
payment plan here in Canada. You have to pay that tax right away

14:42
pretty much. Yeah. Like if you pass away we're sitting in uh November 2025. So if
14:47
Robert passes away, it's due in April. Yeah. About six months, right? Generally
14:52
speaking, generally speaking, we won't get into a lot of deadlines and
14:54
very specifics, but like Generally speaking, Generally speaking, the taxes
14:57
are due quick. But the assets aren't you're not going
15:00
to be able to liquidate your assets all the time that quickly. It takes time,
15:03
especially if you want a good price, right?
15:06
That and then you also need to uh I think, you know, mourn goes through, you
15:11
know, the grief that the person has like I don't think finances are really top of
15:15
mind. No,
15:16
it's it's not thinking about the tax return and that's not the first thing
15:20
that comes to your mind. I think it's it's good to just have that
15:23
state of mind at least um however morbid the discussion might be is to just
15:28
understand okay what am I supposed to do? Uh what are the steps my family to
15:34
take? And you leave them with some sort of checklist with some documents that
15:39
and who are the key people they should be getting in touch with. kind of like
15:43
kind of like your net worth statement and then and then a document that shows
15:47
where these assets are located, the passwords to those files, the bank
15:51
accounts, relationships, who are the key people
15:53
that that will form part of your team, the accountant, the tax advisor.
15:59
Yeah. A lawyer that has, you know, pro
16:01
probably prepared the wheels. But see, like I would say that um most

16:05
clients would do that once they've at least started their estate planning,
16:08
right? like like they have to at least get into the door and start discussing
16:12
all these things. And Robert came. Yeah. Like
16:16
maybe a little bit late, but a little bit late. Still in, you know,
16:20
relatively healthy state. Yes. Right. He's not like fragile and
16:24
no about to pass away. Like he has state of
16:26
mind. He's financially still working.
16:28
He still has that state of mind and like you know is able to make the decisions
16:32
and all that stuff. And when you lay these you know hard core facts that what
16:37
you what's I mean there may be a mountain of work to be ahead of you
16:41
and making those decisions but I think once you start that conversation then it
16:45
goes easier right and I think the discovery phase is
16:49
so important because of that because you just lay out
16:52
what is it right and they have a lot of clients have a
16:54
lot of questions that they want answered yeah and I think if you chart stuff out
16:57
like if you put them on a slide deck put the ownership structure of things
17:00
put a visual put a visual to it depict things in the
17:03
Excel spreadsheet like put line items of what you own.
17:06
Yeah. And then I think start things will start
17:08
to come together. Yeah.
17:09
Right. Um you also it also gives you a frame of mind of like arranging affairs
17:14
like as if somebody else will need to deal with it

17:17
because a lot of times people have their finances and you know issues that they
17:24
know of um you know themselves sits in their
17:27
minds a lot of time right and um like I know there's like probably
17:32
50 things percolating in my mind in respect of what I need to do.
17:35
Yeah. But nobody has my second brain so to speak that knows.
17:38
Maybe does now. Maybe
17:42
with AI maybe there'll be everyone has a personal
17:44
maybe one day there will be a second brain so to speak.
17:46
Yes. Yeah. But but typically no. It sits in their
17:49
brain. Typically no. Right. And and I think um
17:53
you just want to be help organizing things.
17:55
Yeah. So you know um
17:58
well Robert structure let's talk about it.
18:00
Yeah. Yeah. I think number one is that for anybody to begin with um needs to
18:05
have a will. Yes.
18:07
Right. So the first thing you want to look at is like okay if I were to pass
18:10
away um even you did no planning but like just very very at minimum
18:17
how are your assets are going to be divided
18:20
divided with whom and who will be responsible for managing
18:24
that process. Yeah.
18:25
Right. So like we throw out a lot of terms like executive
18:29
Yeah. beneficiaries and like there's trustes.

18:32
Trustees. So maybe let's let's define those.
18:35
Sure. Quickly.
18:37
Yeah. But really, you know, if somebody passes
18:40
away, a document called will have your wishes.
18:44
Yeah. For the person who passed away,
18:46
it will say who is getting how much of my assets based on
18:53
your wishes and wishes. Just Yeah. Based on your wishes. Yeah.
18:57
And the person who manages that process is the executive.
19:01
Yeah. And that executive is now all of a
19:04
sudden a very important person. Yes. Because they're going to have to devote
19:07
a lot of time, effort, and energy in making sure that they follow that
19:12
document to the tea. Yeah.
19:14
Right. But it also comes with a lot of responsibilities, right? Not only have
19:18
to make sure that you're doing good by the beneficiaries who are supposed to
19:22
receive the assets, but the fact that it's it's done
19:25
properly. it's documented properly. Tax returns.
19:29
Yeah, they're responsible for the tax returns and the tax payments of the
19:32
estate. And guess what? Like it's not just the
19:34
tax payments that they have to make, but they're also responsible for if anything
19:38
goes wrong with the filing or CR is not happy with how things were filed or
19:42
there's any claims that come afterwards. They can all fall towards the executive
19:46
the executive. So there's a bit of a process that you know your accounting or

19:51
tax team or the accountant really um and the lawyer will help you navigate those
19:56
those issues but very generally speaking you know the executive position people
20:01
take it very lightly in my opinion but it does have a lot of uh it it takes
20:06
a lot of time right like on average I see you know the process of distribution
20:10
of assets takes you know one year two years
20:14
yeah but it can even take three years depending on like the dynamics of the
20:18
family and what's going on and what the assets are.
20:20
If it's not and what the assets are, it could take a long time.
20:22
Like in Robert's case, it was complicated, right? Like
20:26
he's he's owned like, you know, five corporations.
20:30
Yeah. Right. One corporation for real estate
20:33
assets, other corporation for the business.
20:35
Yeah. Another corporation for non-real estate
20:38
assets that are investments. That are investments. Yeah.
20:41
Um and and you and his US corporation.
20:45
Yeah. And and the problem is that the values of these assets are not
20:50
readily available. No,
20:52
it's not like you can go on some website and find out what's the value of Apple
20:55
stock. No.
20:56
Um Yeah.
20:57
Like you can't do that with other assets such as real estate
21:00
and your business. Like obviously that's even difficult more difficult.

21:03
Yeah. You have to put a value to the business. So like the first thing the
21:06
valuator has to do is like well what is my taxes on debt that I'm going to be
21:09
responsible to make sure that at least that money goes to the Canada Revenue
21:12
Agency. Then whatever's left is going to be distributed to the beneficiaries,
21:16
right? Yeah. And
21:18
it's a lot of coordination and gathering of information and you know, even just
21:23
proving out to the banks you're the executive sometimes takes time. Yeah.
21:26
Right. Like just proving out that you're actually responsible for the estate.
21:29
Yeah. Yeah. Yeah. I mean, let's uh I think that's a it's a good place to like
21:34
uh segue there, right? So,
21:37
you got to value everything. Get an inventory list of everything
21:41
that's there. Yeah. Then value everything. If the
21:44
value is not available, you get engage a valuator
21:47
to look at what's my valuation of my real estate, what's the valuation of the
21:51
business that was left behind and then try to frame a a place to get
21:57
an understanding of what are my assets and the debts
22:01
and how am I going to settle those debts including Canada Revenue Agency and the
22:04
taxes and anything else that's there. Then leftover is distributed to the
22:08
beneficiaries. So, you know, um can you you said something about like, you know,
22:16
um the segue into like paying the probate like give me walk me through the
22:21
probate act probate uh process and how it generally works because I think
22:26
that's an important piece that nobody understands at least as an Ontario

22:29
issue. Yeah.
22:30
And every province has their own. Yeah. No, the tax like I think people
22:33
don't realize that you may need to probate your will, right? that it's an
22:38
administrative process that the courts take to assign a list of all your assets
22:43
and the fair market value of those assets
22:46
and that you and there's a fee for that, right? And that's one 1.5% in Ontario of
22:52
the market value of it's not even the gain.
22:55
It's not the gain, it's the fair market value of your assets, right? Yeah.
22:59
But why probate is required? Like is it required number one?
23:03
Depends on the asset. But yes, generally it's required,
23:07
right? So I mean it depends on who who you're um dealing with.
23:13
Yeah. So if I say I'm the executive of Mr. X
23:17
and I walk in and I start to command people like I have authority over
23:21
dealing some assets. Yeah.
23:23
The problem comes in is like those third parties who might be dealing with me as
23:28
an executive, they might ask for proof whether or not I have the authority.
23:32
Right. So, for example, if I go to Mr. X's bank
23:36
and I say I want to withdraw the balance on the bank account. They're not going
23:39
to see that I am authorized.
23:42
They have to get that updated. Yeah. Then they're going to say, well, you
23:44
have to inform them. Well, if Mr. X died and look at his will, he left me as the
23:48
the person to deal with it. Well, the bank is not going to take it

23:51
because there's so much fraud that can happen. Yeah.
23:53
Right. Because anybody can walk up to a bank with a document saying that they
23:57
they're the executive. Yeah. So typically the the government
24:01
has a has has created a process to say okay well why don't we in principle
24:06
authenticate this will for you. Yeah.
24:08
So that all the third party people can rely on this document and we have now
24:13
certified that this person who say they are
24:16
is the person going to be the executive in the eyes of the government. So you
24:20
trust them everybody else should be trusting of them too.
24:23
So you got to supply like your death certificate.
24:25
Yeah. you know the will uh the listing of all the assets including the bank
24:31
balances. Yeah.
24:32
Potentially pay the probate fee to the government which is one and a half%.
24:36
Yeah. Then you get the certificate uh from the government that you can go to
24:41
other people and start to um deal with the assets including the banks and
24:48
you know if you're selling and all of that takes time like that
24:52
takes it can take a lot of time especially if there's a lot of different
24:55
assets involved right some people have multiple banks too
25:00
yeah yeah I mean getting to the probate stage is is also something that people
25:04
find out um you after the fact. Yes.
25:08
Because you know the fact that oh the bank is not going to take my word for
25:12
it. Um I think it's a it's a reasonable

25:15
question that the bank just doesn't take your word for it. Yeah.
25:18
I think you kind of understand like why someone
25:20
wouldn't be able to access someone's bank account just by saying who they
25:23
are. Yeah.
25:24
So there must be a process. But the cost and the process of getting to it. Oh my
25:29
god. It's it's way too expensive in this in
25:32
Ontario. Yeah. So, um,
25:36
so you know, in Robert's case, you know, when you start to give these basic
25:43
understanding, I think kind of opens people's eyes that what I'm going to be
25:46
putting through the family, the ringer, right?
25:50
And um, then you start to think about, okay, if my my base case is so bad right
25:54
now that the taxes I owe, I got to come up with that money somehow.
25:58
What can I do so that this tax bill doesn't grow?
26:02
Yeah. How can I lower it, you know, reduce it?
26:05
What planning can I do? Yeah. What planning can you do? Or I mean, not
26:08
just the planning, planning to just Yeah. smooth succession is key. Let you
26:12
know, peacefully um take care of these things that we just spoke about, but
26:16
also like can I do something to reduce that big tax bill.
26:19
Yeah. um that I'm facing and I think um typically you know when you have model
26:25
when you have put together basic documents like visuals of ownership
26:31
structure um you also want to then lay out okay
26:37
from a tax perspective you want to have a whiteboarding session

26:41
with them to say okay if we were to now stop your tax bill
26:47
from growing what can be Yeah,
26:50
very simple option. One would be like while you're alive, give all your assets
26:54
to the next generation. Yeah, just pass everything.
26:57
Just pass it on. Pay the tax today perhaps, right? Transfer
27:00
that might not be that's not a practical solution because not every owner wants
27:04
to give up control. Yeah. I mean, nobody wants to give up
27:07
assets. They they don't want to give up assets
27:08
because they might be still, you know, financially dependent on that
27:12
asset to live their life and lifestyle and uh they may not think
27:16
and their beneficiary is ready for it. Yeah, they specifically your children
27:20
usually Yeah. they might not be ready for it.
27:22
So, not very practical for us to say, "Robert, why don't you just like take
27:25
over everything you own and give it to your children today?"
27:28
No, not practical at all. Because then we will stop that tax bill
27:31
from growing because you no longer own it. The children do.
27:33
Yeah. Not practical. You lose control and you
27:38
almost immediately have that tax bill to pay. So, it's
27:40
the future tax bill would have been the $10 million, but now we've accelerated
27:43
that. You got to pay it right now.
27:45
So, Robert's not happy. No. So,
27:47
no. I don't think anyone wants to hear they're paying 10 million. Yeah.

27:49
So, what's the next option? You think about, okay, well, why don't we do
27:53
something called uh an estate freeze, right? If this is a term that kicks
27:58
around a lot. Yeah.
27:59
Um but let's try to simplify it, right? So, you do an estate freeze which
28:04
involves corporations. So assuming you know Robert's already got his various
28:09
corporations that he 100% owns and we go through the process of estate
28:14
freeze which basically to say that let's convert Robert's shares in the company
28:20
which are growth shares into another type of shares
28:23
which are fixed value preferred shares. Yeah. And um we will then introduce
28:30
other shareholders into the picture either directly
28:34
or indirectly. But the idea is the same that let's not
28:39
let's not give up control. Let's not cause disposition of assets by giving
28:44
the assets to them but let's introduce them into the
28:47
company as owners. Yeah.
28:49
Without paying any taxes. So
28:52
great option. Great option. Right.
28:54
Yeah. Um and then and then uh I think even then people have a little bit of
28:59
problem with that because if you start to bring in the shareholders into the
29:03
company then all of a sudden you're concerned about well are they going to
29:06
be interested? Well they have yeah they have a lot of
29:08
questions. I think that's what happens is like a lot of clients want to know if
29:12
if I'm bringing these shareholders into the corporation are they going to be

29:17
then making decisions? I want to hold that control in terms of operational
29:22
control of the business. I know how to trust my kids to be able to run this
29:28
business. I don't want them to run it to the
29:30
ground, right? Yeah. Getting in the way
29:34
or even sometimes shareholders, you know, like kids and again we paint the
29:38
kids in a bad picture right now, but we're just talking about all the
29:41
possibilities that we face when the clients are asking these questions.
29:45
Um you know what if the kids had like marital breakdown and then the assets of
29:50
the shares are now you know subject of you know marital assets and going to be
29:56
distributed under divorce. That's a basic concern we see all the time.
29:59
Yeah. The other concern we see all the time is
30:01
like what if you know bankruptcy? What if the kid is like financially
30:05
insolvent and like now puts these assets out. a lot of like what ifs and question
30:10
marks and they're not a lot of times the clients aren't ready to bring in that
30:14
direct ownership. Yeah. So like direct ownership in most
30:17
cases I think it's a difficult choice for people to make.
30:21
I would say it's not entirely that it's not entirely uh uh uh an option that
30:27
most people you know don't consider. It really depends on the assets too.
30:31
Like if there's just a corporation with your passive, you know, your your
30:35
investments, right? and you've generated a lot of
30:38
wealth and there's no operating company. Yeah.
30:40
You may you may think about introducing the children or not. I I think sometimes

30:46
when there's a business involved it gets a bit more tricky when you're you you
30:50
still want that operational control over that baby. That's your baby, right? So
30:53
yeah, but I think like I mean most people just don't like the idea.
30:57
They don't typically typically they don't like the idea.
31:00
And I see like people in different family dynamics speaking differently.
31:03
Like some parents are totally fine with like bringing the kids directly, but
31:07
they don't think about these things. I think when they say, "Yeah, I'm fine
31:11
like bringing the shareholders directly." It's like these are my kids.
31:13
What am I leaving to them anyways? Yeah. They may not understand what that
31:18
means, right? And then sometimes you have to like, you
31:20
know, kind of peel the onion. You have to say, "Okay, what is a relationship
31:24
like? And are they good with money?" Yeah.
31:26
Will they have a what's their ages right now? um what if they get into a divorce
31:32
situation or like bankruptcy situation? Are you okay with your assets being at
31:36
risk? I think at that point like they start thinking, "Oh, maybe this is
31:39
not a great idea." They're they're Yeah. They're like the
31:41
cogs are turning and then they're like, "Oh, yeah. I shouldn't really be
31:44
Yeah. Then you have you have some clients that completely know for sure
31:48
they do not want to bring anyone into the company." Right.
31:51
But some people are fine with it, but then only until we've told them that
31:54
look, you know, you just got to consider a few other things. We're not saying do
31:57
this or that. No, just consider that you've, you know,

32:00
this is what it means about all these considerations.
32:02
Yeah. Just like this is what it means when they own the legal control of those
32:06
shares and you know this is what it means that it it could
32:10
come with voting rights if it does or if it doesn't, right? And it means that
32:14
they own that asset, right? Like that's theirs. They're entitled to that. So, so
32:18
I think I mean thankfully there's a solution to perhaps these issues that
32:21
most commonly people face is that okay so number one we may not want to bring
32:26
in the kids directly as shareholders okay fine let's park
32:31
that issue secondly you want control so even if you
32:34
gave them something as shareholders you still want to make
32:37
sure that they do not have control over the assets
32:40
at all right um and in most cases you know I mean
32:44
again like this is not a cookie cutter situation but like you got to weigh all
32:47
the options. But often times, you know, family trust becomes a a common tool
32:53
when it comes to estate planning. Um, and family trust again like
32:59
is is really a very flexible um entity
33:03
entity. It's a contract between the you know the beneficiaries and the trustees
33:08
and basically acts as a shareholder. Yeah, we should define like what it
33:12
means to be a trustee, a beneficiary because like typically I find the next
33:16
question is okay well what are those roles right
33:18
but even like I mean very generally speaking say you have a corporation and
33:23
the corporation you know the owner doesn't want to give the control and

33:26
like dire holding to the kids uh or other
33:30
family members for that fact you bring in a family trust the idea is like the
33:35
family trust will have the future growth of the companies or the assets Yeah.
33:40
And then the current owner or the parent will
33:44
have the the voting control. So they control the company and they have all
33:49
the value of the company up to today. So in case of Robert, we'll say okay
33:54
because we want to lock down your taxes and do not grow.
33:57
Yeah. Let's make sure we
34:00
freeze the company. Yeah. by giving uh fixed value preferred
34:05
shares to you. So like the company doesn't grow in your hands personally
34:08
and all the future growth will go to the trust.
34:10
Yeah. By the way, you will be controlling the
34:12
company also. Yeah. So the trust will own shares in
34:15
your company, but it's going to own the growth shares,
34:18
right? We will ensure that the the voting rights will stay with the with
34:24
Robert in this case, right? Like he's Yeah. So, you know, the family trust
34:30
then um becomes a very commonly discussed tool in our in our space. Um
34:36
but there's there are different roles,
34:39
right? Like there's trustees uh like akin to I almost say like
34:43
they're like a directors of a company. Yeah.
34:45
They make all the decisions related they're very powerful powerful position,
34:49
right? They have control of how the assets are

34:52
going to be split up amongst the beneficiaries. They control those
34:56
decisions. Yeah. And they have a fiduciary duty towards the
34:59
beneficiaries. So yeah,
35:01
you know, they have to do good by the beneficiaries. Yeah. They make all the
35:04
decisions. They file the tax returns for the trust or hire someone to do it.
35:08
Yeah. Open up the bank account, you know, pay
35:11
for all the fees, etc. That cost that comes with it. Um those are like
35:16
administrative day-to-day. But then mainly the biggest um the biggest piece
35:23
to the puzzle when the trustees are are in play is really that they really do
35:28
decide at some point in time that what happens to the shares that this trust
35:34
owns. What happens to them? Who gets how much and when?
35:39
Yeah. Right. and
35:41
beneficiaries really don't have much claim towards the trust assets because
35:45
they have a possibility of receiving something from the trust
35:50
but they have no guarantee of receiving anything.
35:52
They don't with discretionary family trust which we typically see. They won't
35:56
have any entitlement over the assets unless the trustee will
35:59
decide that they're going to get this asset.
36:01
They're going to get something at some point
36:02
and they are like the trustee is working like you said good faith for the
36:06
beneficiaries. Yeah. But ultimately it's their decision.
36:09
Yeah. Yeah. So like you know when we were talking about Robert you know we

36:11
made Robert we we did create a trust for him.
36:14
Yeah. And we did introduce him as a trustee.
36:18
Yeah. Right. So I mean he's a trustee. He's
36:21
you know functionally not different from position that he's in right now.
36:26
So we gave him like super voting shares of the company. So he gets to control
36:30
the company. So he has you know um flexibility of still doing what he's
36:36
doing and with no interference. Yeah. We gave him fixed value preferred
36:39
shares. So the value of his assets do not grow in his hands.
36:43
And then the family trust takes all the growth. And then he still manages the
36:46
trust. Yeah.
36:47
And then his kids, spouse, grandchildren,
36:50
they're all beneficiaries. Yeah. And like I think it's it's
36:53
important to say that now that the growth is with the family trust, he's
36:57
kind of frozen his value that the tax that he'd have to pay on his death.
37:02
Yeah. And the the growth will now sit with the
37:05
with the family trust. And when he passes away. Yeah. Right. Then we would
37:10
have a replacement trustee come in. That's right. Yeah.
37:12
Yeah. And I think it's good to like always have couple layers of
37:15
replacements. You know, sometimes you may not be the one um you might be the
37:20
trustee to begin with, but if you're unable to act sickness or other issues
37:24
that come up or you pass away simply, yeah, you should define who that
37:28
person's going to be. That person's going to be. So like you

37:30
want to pick that person ahead of time. usually want to document that in either
37:34
your will or and or in the trust document to say who the next in line
37:39
will be. Typically, it's your spouse.
37:42
It's your surviving spouse or maybe even you know maybe even children sometimes
37:46
or a good friend or somebody. Yeah.
37:48
That can someone that you trust someone that
37:51
Yeah. Someone that you trust and you can understand. But typically I think in
37:54
this case it was Robert's children. Uh yeah. So like Robert's wife. But I
37:59
think the the the problem with Yeah. The problem was that the children were um
38:03
non-residents. Yeah. The the funny thing is like um you
38:07
know Robert had um already set up a trust for one of the
38:12
companies in the past. Yep. Yep. He did.
38:14
And um interestingly he did not go through any discovery phase nothing like
38:19
that. We were we were discussing with um it was very simplistic. They just put a
38:24
somebody suggested a trust and they just executed on it.
38:26
Yeah. And the trust had language in in the in in its document to say that if
38:32
you're a non-resident beneficiary, you can't be a non-beneficiary.
38:37
If you're if you're non if you're non-resident beneficiary, they're
38:40
excluded from you're excluded. Yeah.
38:42
From the from the trust. So his kids were excluded.
38:45
Well, yeah. The kids were not Yeah. So his kids happened to be He has two kids
38:49
and both kids are living outside of Canada.

38:51
Yeah. And all of a sudden like this trust is good for nothing because you
38:55
had set up this trust for your children for your children.
38:58
Thinking for your children and if they're no longer beneficiaries,
39:01
well, where does this all these assets go?
39:02
Yeah. And that that is a conundrum and
39:05
something that and that's something that we reviewed
39:08
when we were going through the discovery phase to
39:10
at least one of the companies that had a family trust that was set up a few years
39:12
ago. Yeah. So, you know, I mean, once you go
39:15
through the uh you know, uh discovery phase, I think you have you you get a
39:20
chance to like uh review and find delinquencies.
39:23
Yeah. Or issues that, you know, kind of does
39:26
doesn't make any sense. And sometimes we do look at things um
39:30
not just focused on an estate planning objective, right? We're looking at
39:33
multiple different things and there was different things that we found in his
39:38
structure at that time when we were going through the discovery phase. And I
39:41
don't think Robert himself knew that this was a restriction.
39:44
No, I don't think so. It was just set up the way it was. And
39:48
whoever the, you know, the advisers had set up, they probably didn't give much
39:51
attention to the fact that the children were already non-residents.
39:54
Yeah. And that's why it's really key to ask about the residency for the whole
39:58
family and who's involved. So you know when we were setting up the new trust

40:02
for him we had to wind up the old trust and the new trust did not have this
40:05
restriction because in the foregoing future the kids were going to remain
40:10
benefici remain beneficiaries but also stay non-residents but that brought um
40:15
you know a big question mark where these kids are non-residents
40:21
you know um the trust at some point has to give assets to the um uh to the
40:29
beneficiaries And in our tax law, it says that it will
40:33
if if the trust ever distributes the assets of the trust to anyone any of the
40:39
beneficiaries, the trust will not uh be subjected to
40:44
any taxation. Meaning when it transfers the property to the beneficiary, will
40:48
there be tax? The question in most cases is no, there's no tax on on transferring
40:52
the property from the trust or shares of a company that the trust owns to the
40:56
beneficiaries given that the the beneficiaries are Canadian
41:00
residents. Yeah.
41:01
So, we had that foresight to say, well, how long are your kids are going to be
41:04
non-residents for? Is it like a temporary thing?
41:07
Yeah. Or do they have intention of ever
41:08
returning back to Canada? And what is that situation? I think that had a lot
41:15
of like knowing that you know that tax now is inevitable maybe not in the hands
41:21
of Robert but in the hands of the trust at some point because every time you
41:26
wind up the trust you're going to be facing with that tax that very tax that
41:29
you were trying to avoid when the trust shuts down. I think
41:33
that's a problem. You're not really solving for everything but it's a

41:36
problem to be solved for. Yeah. So, you know, in those cases, you
41:41
are um trying to figure out the children's intention. It's not easy to
41:46
understand or gauge where their heads at.
41:49
Yeah. And I think um
41:52
Robert now had a very strong motivation of bringing his kids back to Canada.
41:57
Yeah. I think if you if you tell your child that I will buy you a home in
42:01
Canada, they might come back. And that's exactly what he did. Well, after a lot
42:06
of after a lot of back and forth
42:08
back and forth, I think he's able to bring one child back to Canada
42:11
to say that, hey, like let's figure out what you need to get settled and
42:16
let's let's keep some of the money in the family versus paying it,
42:21
you know. Yeah. So, I think he's still working
42:22
through the second child, but the first child at least is able to
42:26
um come back. And his decision was solely for tax.
42:29
I think it was I think it's not a bad idea for the families to live close by
42:34
being being a part It was a it was a very strong motivate. Yeah,
42:37
it was a huge motivator to say that look, you know, by simply because you're
42:42
non-resident uh you're going to be, you know, paying
42:46
a lot of tax in this country and if you just simply move to Canada and call this
42:51
home, we may be able to escape this tax altogether for a very long time.
42:56
Right? And I think it's good to say that, you know, even though the trust is
43:00
very commonly set up, one of the limitations of the trust is is uh

43:03
famously known as 21-year rule. Yeah. The life of the trust
43:07
the life well the life of the trust is legally
43:10
we answer this question all the time like the life of the trust legally from
43:14
a trust law perspective is is like forever indefinitely.
43:17
So long as a beneficiary in the u in the trust.
43:20
Yeah. Beneficiaries typically when you set up I mean you can set up these
43:22
things any way you want but beneficiaries are typically the children
43:26
children's children and then so on and so forth so long as it's children of
43:30
children of children really the trust can continue right
43:33
and but from a tax perspective there's a
43:36
deemed disposition well yeah I mean Canada afford to
43:41
defer taxes forever forever yeah
43:42
so like our tax system is so anchored on death that you know people pay taxes on
43:47
dying and if everybody put their assets into a
43:51
trust they can defer that tax
43:52
then they'll never pay taxes and I think that that is uh government of Canada can
43:56
digest that. Yeah.
43:58
So they made this arbitrary rule to say if you have set up a trust every 21
44:04
years whatever it owns it pays taxes on it based on the unrealized gains at that
44:08
point. Yeah.
44:09
So so it's a timing thing as well that you
44:11
have to think about when you're setting up this trust.

44:13
Yeah. So like I think Robert was 78 years.
44:16
Yeah. In 21 years he will be like 99. Yeah,
44:19
for almost 100 years. Yeah,
44:21
for sure he's not worried about like transitioning his assets to it
44:26
to the kids. But you know the problem was like okay
44:28
if we were to like take all the growth in his lifetime from 78 to let's say 100
44:34
years the next 21 years and all that growth doesn't really add
44:38
to his value that will be then subjected to taxes when he dies. And then um when
44:45
the 21 year years are done we don't want to pay tax at in the hands
44:51
of trust either. So very commonly if you have set up a trust you start to think
44:56
about after 21 years what happens and very commonly
45:00
you would wind up the trust you would like
45:03
yeah the trustes would distribute the shares
45:05
and you may have then at that time have confidence in your children to give
45:11
them the assets. They're hoping within 21 years that that confidence does
45:15
I mean the kids will be in their 60s, right?
45:17
They'll be in their 60s. You'll have a good understanding of where they're
45:20
going in life, you know, and you'll have that confidence to then distribute those
45:24
assets to them, which can happen on a tax deferred basis
45:27
if they're Canadian residents. If they're Canadian res,
45:29
right? they're Canadian res. They can the trust can literally take shares of
45:33
the companies that Robert had originally put into the trust

45:36
and just pass it pass it on to the beneficiaries and the
45:40
beneficiary is Canadian resident no taxes at that point. And then once they
45:44
have those assets in their personal name when now they die
45:48
perhaps 20 years 30 years whatever the ages are like depending on you know down
45:52
the road um they can do their own planning or the
45:55
tax will be you pay the tax then right like worst
45:57
case scenario is like okay you Rob's put in the the shares in the com
46:01
of the company for full 21 years. Yeah.
46:04
At the 21 year mark let's say you know Rob's children have now taken the shares
46:10
and they live another 30 years. You've actually avoided the taxes for about 21
46:16
plus, let's say 30 years, let's say 50 years.
46:18
Yeah. I mean, that's huge.
46:20
That's huge because if you tax deferral, well, because you think about how that
46:23
wealth could compound, right? Over time, right? That could be a significant if
46:29
you put numbers million bucks growing at 5% annually compounding.
46:33
Yes. You'll see the number the math, you
46:36
know, turns out some really ridiculous numbers.
46:38
Yeah. So, that's how much tax you could be saving, right?
46:40
You could be Yeah. Yeah, you could be saving the 27% whatever the capital
46:43
gains rate is of that growth
46:45
of that growth. So very very powerful. I would even say that if let's say that it
46:50
robs children if they by the time 21-year rule comes around. So let's

46:56
let's pick a like a year. Let's say Rob set up the trust in 2025.
47:01
Fast forward to 21 years. November 2046 happens. Mhm.
47:06
If at November 2046, kids are in their, let's say, mid60s.
47:11
Yeah. And their kids,
47:14
who are Canadian residents are in their 40s or whatever, maybe they should even
47:19
consider that instead of passing all the assets down to Rob's children, why don't
47:24
we pass it to the grandchildren? Yeah. And this way the the compounding
47:30
is even more powerful because you've deferred the taxes to the lifetime of
47:34
the grandchildren. Right.
47:36
So I mean but the the the great thing about all of it all is that you don't
47:42
have to make these decisions today when you're setting up the trust.
47:44
Yeah. You can find what should be done and
47:50
consider all options in or around 21 years before the 21st anniversary
47:55
happens. It just provides a lot of flexibility.
47:58
Allows you to take time to think about the decisions that you want to make
48:02
these major life decisions and while freezing that growth in your
48:06
hands. But I think that's the main um crux of
48:10
the things is that people want flexibility.
48:12
Yeah. Not cap their options and also not
48:15
corner themselves to make certain decisions that they're not ready to make
48:18
today. Yeah.
48:19
So they can defer all those decisions. Yeah. while making sure they're not

48:22
financially obligated to pay large amount of tax.
48:26
Yeah. Right. And I think that's a that's the
48:28
very powerful thing which you want to deliver um for yourself and your family.
48:32
Yeah. You're able to keep control. You're able to defer that decision till
48:37
a later point when you have more confidence in your kids while freezing
48:41
that tax value. You know, it's it's it's it's such an important planning that
48:45
needs to get done for these for these business owners that have so much wealth
48:49
accumulated in their companies. Absolutely. The the one other thing that
48:53
this planning with the trust was a we were able to accomplish is that you know
48:58
he had uh an operating business like we said very successful still running very
49:02
strong and he wanted to continue to work on it.
49:06
um was the fact that you know Canada we have something called lifetime capital
49:10
gain exemptions and over time like his business had done
49:14
so well like it had accumulated a lot of value um but that value was intercomp
49:20
loans money that he's g his company had given to related companies
49:24
which happens often right like your corporation makes your operating company
49:27
makes good money into credit proof you move those assets to another corporation
49:31
but in this case like they had like you know tremendous amount of intercomp
49:35
loans loans like I mean good thing they set up individual corporations to house
49:40
those investments but all the money came from the
49:43
operating company to buy those investments as well
49:45
so you're still subject that related party loan still exposes you to

49:48
yeah I mean so if your business goes under or you have a claim in in the
49:52
business I mean for sure they can collect from the other companies
49:56
yeah that's still at risk but then also the other tax disadvantage is that
50:01
because of these you know non we call it the non-b businessiness assets like
50:04
intercomp loans that are no good for the business really. They are excess cash in
50:09
in some ways is that it disqualifies the corporation
50:13
uh from you know something called uh for lifetime capital gain exemption
50:17
purposes. Yeah. Yeah.
50:18
And you know Rob had you know several family members also having their own
50:23
lifetime capital gain exemptions. None of them with having a business so they
50:27
would never be able to use their exemption. And like to quantify the
50:31
exemption, right, you can be saving around $350,000 of tax per family
50:35
member. Yeah. I mean,
50:36
and you can and you're able to use those exemptions
50:40
when you pass away as well, as long as your corporation qualifies
50:45
and you don't have those bad assets on your books.
50:47
That's right. Yeah. So, like I mean recently it got a bump, right? Last year
50:51
it used to be just under a million dollars of exemption
50:54
and then now it's bumped up to 1.5 million. So just to you know set the
50:58
stage here is that if you have a an operating business and it's run through
51:02
a corporation and and ideally speaking the government
51:07
is saying is that well if you sell your business we will exempt the capital gain

51:12
on the sale of the business for the $1.25 million first $1.25 million.
51:17
Yes. Anything over and above you have to pay
51:19
the tax at capital gains rate which is about 27% today in Ontario combined
51:24
federal rate. So
51:27
Well, he did not even get the first exemption. He had no exemption access to
51:31
it because in order to get the exemption, the business cannot have,
51:36
you know, access cash, access marketable
51:39
securities, these related party loans that the money was used for inactive
51:43
assets, right? So, you know, um we wanted not
51:48
only to give get an exemption for him, but you know, his family members, they
51:53
all had their exemptions. wife has the exemption, his children who are
51:56
non-residents but like you know I mean hopefully if and when they become
52:01
Canadian resident which is what his plan is
52:04
they now have their own Canadian uh they have their own lifetime capital gain
52:08
exemptions then by extension his grandchildren who are pretty young uh
52:13
they would have their own exemptions like you count all these exemptions that
52:16
are like within the family you know that's about
52:19
yeah your parents can also you can use their exemptions if they have anybody in
52:24
anyone. So we wanted to put Rob into a position
52:28
where he can use his exemption which is not available right now even though he's
52:32
the owner of the company exemption for his wife when his can when his kids come
52:37
to Canada their exemption. So like two of those then the grandchild I think all

52:42
in all we had about like seven or eight exemptions possibly. Uh so you take like
52:47
you know 1.25 25 million times like seven or eight.
52:51
Yeah. Like that's about like seven 8 million
52:54
of lifetime capital gain exemptions that would just go to waste.
53:00
Yeah. Like you would save like you said, you
53:02
know, $1.25 million times 27%. That's like almost $350,000 of taxes not paid.
53:08
Yeah. And multiply by your family members, it's it's a significant amount
53:11
of tax that you could save. You know, you're talking about over $2
53:14
million of tax is not paid. Yeah. If structured correctly,
53:19
you can do a lot with that, too. All you have to do is structure this
53:21
correctly. Yes.
53:22
It doesn't take very much. You know, at some point, he knows he's going to be
53:25
exiting the business. Yeah. Like a lot of the things are
53:28
inevitable. You're going to pass away. You know, you're going to exit the
53:31
business. Or sell it, right?
53:32
Or sell it. That's going to happen. So, you might as well structure, right, to
53:35
save the tax. It's like lowhanging fruit.
53:37
It is. So, like all we had to do was like,
53:40
"Okay, Robert, like you're not selling today. you don't have any interest
53:43
because you're so still going strong, but eventually you're going to start
53:46
looking for a buyer eventually, right? Hopefully makes
53:50
once he makes peace with it that it's time to move on.

53:54
You know what did we do? We we did a restructuring
53:58
and I mean throw a word restructuring is to uh there are tax restructuring you
54:05
can do where you can remove the non-b businessiness assets. We call it
54:09
purification. It's a tax term that most commonly tax people would use is that we
54:14
we would purify the company by removing these assets which would disqualify
54:19
the corporation uh for the lifetime capital gain
54:22
exemption purposes and move them to another corporation.
54:25
Yeah. Uh it's a very complicated way of um
54:29
doing the trans like you know restructuring. We call it you know
54:33
butterfly transaction. Yes, we do call it a butterfly.
54:37
It would have I love the terms that we use in in our
54:39
tax world. Yeah. But it's a complicated section and
54:41
you have to make sure a lot of things are done correctly in order to not be
54:45
off. All Robert cared for. It's like, well, it makes me qualified.
54:49
Do the magic. Right. Do it.
54:50
So we we would like do the butterfly transaction. Yeah.
54:54
And then we would remove the non-b businessiness assets to another
54:58
corporation without paying any taxes. So now what's left in the company, the
55:02
operating business, just the business. Yeah. So now that the company qualifies,
55:07
the business itself is owned by the trust controlled by Rob and the trust is
55:13
also controlled by Rob. Yeah.
55:15
The the the trust has beneficiaries that has all of his family members.

55:19
Yeah. And then when the business is sold and
55:22
when I say business is sold really you're selling the shares of the
55:25
company. Yeah.
55:26
The company qualifies or on passing, right?
55:28
Or on pass or if Rob passes away his fixed value preferred shares are will be
55:32
taxed. So you have your life you still have your exemption there.
55:35
Yeah. So like all in all like I mean you know
55:37
it solves for that issue that if you're you're structured correctly and you now
55:42
have ability to use your lifetime capital gain exemption. Another very
55:46
strong motivator of why he wanted to bring his children back to Canada.
55:49
Yeah. Because you can't use your lifetime
55:52
capital gain exemption. Yeah.
55:54
If you don't if you don't have Canadian resident beneficiaries, right? Yeah.
55:57
So like if he doesn't bring his children like he only has his exemption which he
56:01
had from the preferred shares or like his wife's which is in the trust
56:05
as a beneficiary don't doesn't really have access to the
56:08
exemptions for the kids or the grandkids because they all live outside of Canada.
56:12
So I think that is something that if you know where
56:17
you're at what your financial goal is from saving the taxes you can then have
56:21
these conversations. Sometimes people have people move mountains to save
56:26
taxes. So, oh yeah, once they know that they can do
56:29
this and they see that number, they're very motivated to get the process going.

56:33
Yeah. Like they're not going to be like,
56:34
"Let's delay." Long plan. Like I mean,
56:36
I think it's just understanding what it means and and the control and the
56:40
flexibility. I think that that educated conversation, but once they know they're
56:45
I think it also makes him happy that his children and grandchildren will now be
56:49
close by as opposed to far away in another country.
56:52
Exactly. Right. I mean there's a lot of other things that play into others, you
56:55
know, the children's mind like where the children are probably highly
56:59
motivated to keep the value in the estate as well, right?
57:01
Yeah. But I don't think it's like that easy, right? Like if if if you have now
57:05
strong ties in another country. Yeah.
57:07
You know, you what are the consequences of them leaving that country is also a
57:10
question. No, I don't think we typically hear that
57:12
they come back once they've settled on being there. But I think, you know, Rob
57:17
as a parent now has a um reason to put that into consideration and still a
57:25
family decision whether or not the children are motivated or not motivated
57:29
to move just by that. Yeah. And
57:30
they might let it go, they may not, but at least
57:33
Rob hasn't stopped doing his planning. He's still keeping his option open and
57:36
he's very optimistic that one day he will be able to get the
57:39
kids back into the country. Well, he already has one, right? So,
57:41
he's Yeah. I mean, he's able to get one back. Yes.

57:45
The other one is just like could happen. Yeah.
57:47
50%. And the family trust. The other thing I
57:49
wanted to add about the family trust is you we want to make sure that
57:54
on an ongoing basis that the corporation is purified that we keep moving the
57:59
excess cash out of the corporation. Company continues to make money. Yeah.
58:04
Because you have to qualify on the date of sale or the date of death to be able
58:08
to use the exemption. Right. So the the family trust does allow for that
58:12
flexibility to move assets out to another corporation tax deferred as well
58:18
into your investment corporation purifying the company. I see this very
58:22
commonly where like you know I'm presented with the structures that
58:25
people already have um you know and you we've seen them ton of times where like
58:30
there's an operating company and people are set up and a holding company on top
58:33
on top yeah and then that that holding company is
58:36
owned by the owner individually one person right
58:39
so very commonly the reason why people set that up is so that they're not
58:43
leaving uh excess cash and like surplus or investments in the operating business
58:49
and then they can do like intracorporate dividend by paying dividends from
58:53
operating company to the holding company and so long as
58:56
operating company has paid corporate tax. You know the tax laws don't care so
59:00
much that the money has been moved up to another company that's related to it.
59:04
So that's a tax deferred dividend that moves from operating company to holding
59:08
company and that's okay. Yeah.

59:10
Um but not okay from a lifetime capital gain exemption because if you're going
59:14
to be getting the lifetime capital gain exemption, you need to sell the
59:18
corporation. Yeah. Yeah, the lifetime capital gating
59:21
exemption is available to the individual. So if it owns shares in the
59:24
company that holds the investments, you are automatically offside.
59:28
Well, the buyer's not going to buy that, too. They're not going to buy it either.
59:31
Buyer's not interested in buying in a holding company that has investments in
59:34
them. They just want the business underneath.
59:36
Yeah. But the the conundrum is that to to get
59:39
lifetime capital gain exemption, the holding company blocks it.
59:44
Buyer doesn't want to buy the investments. But then by purely having a
59:48
holding company on top of as a shareholder does not allow you to get
59:52
the lifetime capital gain exemption. Yeah.
59:54
So but when we do put a trust as a shareholder of the operating company.
59:58
Yeah. The you can still have another company
1:00:02
act as a holding company or imagine like you have a trust that's
1:00:07
owned that owns the operating company. Yeah.
1:00:10
And there's a investment holding company to the side. Let's say a sister company.
1:00:14
The dividends can still flow through from operating company to the sister
1:00:20
holding company just through the trust. Like dividend
1:00:23
goes up to the trust and then dividend can go down
1:00:27
to uh sister holding company and you accomplish the same parent sub thing

1:00:32
where you were doing the incorporate dividends but now it just goes through
1:00:34
the trust and accomplish the same thing while you maintain your lifetime capital
1:00:38
gain exemption. So, but I don't think people have tremendous amount of
1:00:43
knowledge to to to know these things when they have set those up. But we we
1:00:48
still see a ton of these structures where like parent sub relationship is
1:00:52
there to the detriment of lifetime capital gain exemptions.
1:00:56
Yeah. So,
1:01:00
probate tax. That was really good. I'm so proud of
1:01:04
you. Me,
1:01:05
you spoke a lot. But you did good.
1:01:07
Good. Good. I feel you. very passionately and with
1:01:10
your hands. It's exhausting.
1:01:16
No, but I feel like it's it's engaging. Yeah. Well,
1:01:23
that's okay. You can take away the proate. I don't
1:01:26
know what to say about building. No, secondary will like it's
1:01:31
super important in terms of the secondary will the insurance like how do
1:01:38
you fund the taxes like so you want to be able to fund the
1:01:43
tax identify how you're going to get into it.
1:01:47
You model out like the insurance you're talking about the process
1:01:50
like if somebody passes away, right? Like you would know what the tax bill
1:01:55
was. Yeah. Now you have time to figure out how
1:01:58
you're going to pay for it. Yeah.

1:02:01
And sometimes people think about, okay, I'm going to pay for it by like saving
1:02:04
money. Yeah.
1:02:06
Or I have like put this much money apart like or whatever.
1:02:10
Yeah. Or you say, okay, like let's figure out
1:02:12
life insurance. Yeah.
1:02:14
What is the cost of it? Yeah.
1:02:16
Can you pay for it through the company? Like how much is the premiums? How am I
1:02:22
going to pay for the premiums? Yeah, you get into that.
1:02:26
I don't know much about like insurance, but
1:02:28
so just like get into that and then I think
1:02:30
yeah, we can think about like various
1:02:32
solutions to how to fix it. Okay, sounds good. So you want to talk
1:02:36
about liquidity then like in like after probate I think
1:02:39
cuz you wanted because the one thing that we should talk about is like Rob
1:02:44
having um wills that now talk to the structure.
1:02:48
Yeah, because there are some we we usually
1:02:51
connect certain decisions. Yeah. Yeah, like once you have done your
1:02:55
planning, you need to make sure you update your will update
1:02:57
because it needs to speak to they might say replacement trustees are
1:03:01
there. Yeah. Yeah.
1:03:02
Or there may be um uh
1:03:07
do you just get to update the will or do you give him instructions to update it?

1:03:11
Well, he knows because of the he knows. I tell them at the beginning
1:03:15
that there's going to be dual dual wheels.
1:03:17
Oh, no. the dual wheel will he does the dual wheels and then when
1:03:20
when he's designed the trusted deed then he does
1:03:22
the dual wills it like the primary will has to keep all
1:03:27
your like individual assets on there like the um individual your bank
1:03:31
accounts your investments and personal health stuff and your home but
1:03:34
everything else can go on your secondary will right
1:03:36
yeah well yeah shares of private company if you have any private loans promisory
1:03:42
notes with your corporation shareholder credits
1:03:46
Right. Anything that doesn't require third parties consent.
1:03:51
Okay. Typically you can like carve it out and
1:03:54
say it's in the secondary will. So you just take the primary will for probate.
1:03:59
And typically you know um
1:04:04
Hassan to sit here right now talk about it.
1:04:07
Should stand right. He can speak from there. We can hear him.
1:04:11
That's true. It's true. But imagine the episode I just disappeared.
1:04:20
There's like a man speaking now all of a sudden.
1:04:22
Yes. I was just speaking from his legal side of things.
1:04:26
We'll get him in once we fix the room up. Yeah.
1:04:28
We'll have to be person. Yeah. Okay. So, you want to talk about
1:04:31
the liquid like Well, what are we what are we doing in

1:04:33
the segment? What are we supposed to But I think
1:04:35
I don't know where we went. No, I I definitely think we need to talk
1:04:39
about updating the will and all that. Yeah.
1:04:42
Okay. You talked about the lifetime. We didn't talk about the US company in
1:04:45
1134. So I don't think we need to talk about that. But we didn't talk about the
1:04:48
real estate in the company and um what that may be but that might be a separate
1:04:53
tax. I think we should talk about we should talk about it.
1:04:56
Yeah. Some like not in detail but like just as a concept
1:05:01
that there's be double tax that we've already contemplated and that is how we
1:05:05
solving for it. Yeah. How are we solving for the you're
1:05:08
just talking about like the pipeline and 1646
1:05:11
1646 pipeline. There's But did you you talked to him already
1:05:17
about it to him?
1:05:18
Yeah. Yeah.
1:05:20
I do with everybody basically. I let them know this is premortem to
1:05:24
explaining what we're doing premortm. Yeah.
1:05:27
There will be a second part to this which is
1:05:29
postmortm. Right. And I tell them what that process is a
1:05:32
high level. Yeah.
1:05:34
And why is it there? Yeah.
1:05:36
Um, so we need to talk about that. And then broken trust
1:05:42
or we talked about the broken trust. Yeah. And then yeah, liquidity. It's

1:05:46
it's just the cash and then the um
1:05:55
postmort. Yeah.
1:06:01
Go. I feel like you've talked about this so
1:06:05
many times. cuz you're so good at it. I don't feel good at it.
1:06:07
Okay, go ahead.
1:06:08
If anything, I could have done what you did this I feel even
1:06:11
which one to talk about like life insurance. I
1:06:14
don't even know. No, just start with the whales part. I
1:06:17
think like say like you know let me I'll throw the question and it's mostly going
1:06:21
to be like hey now that you've like you know set up this trust and the structure
1:06:26
um can we talk about like the wills and like how do they get impacted at this
1:06:31
point in time and then you know how they should have
1:06:35
you know two sets of wills in Ontario. this Ontario concept where you can
1:06:39
escape the probate if you have assets in secondary will
1:06:43
the dual will strategies we already identify what it will be p
1:06:47
what will be probatable assets like you can't escape it but then we identify
1:06:50
assets that do not need probate can we go through them
1:06:56
incorrectly so you know when it comes to probate
1:06:59
right you know most likely your home will be
1:07:03
probated right now there ways around it too that
1:07:08
um but most likely your home that you live in has to be probated.
1:07:12
If you have a bank account that only you have to be probated,

1:07:16
why does your home have Yeah, good question. I'll tell you.
1:07:20
So, um
1:07:22
like learning at No, it's good, right? It's good.
1:07:26
So, the reason why the home has to be or may be probated, right? most likely
1:07:31
going to be appropriate is that when somebody passes away.
1:07:34
Now that home because they were living in it, they're it's going to go to the
1:07:38
estate of that person. Now, the estate owns it.
1:07:41
And very commonly, right, the estate most scenarios that the kids, whoever
1:07:47
they are like managing the estate or the beneficial, they don't want the home.
1:07:52
Usually, they sell it. Yeah.
1:07:55
If you sell it, the title of the home has the parent in it.
1:08:00
Yeah. And then the seller is not the parent,
1:08:03
the owner, which is the trust, the estate.
1:08:06
When when the estate tries to sell it, the buyer's lawyer is going to do a
1:08:10
title search and make sure that they're buying the property from the right
1:08:13
person, the owner, make sure there's no fraud to it, right?
1:08:17
And then they're going to say, "Well, the estate is selling. How do we know
1:08:21
you have the right to it?" So then you have to get a probate.
1:08:24
So it's only because it's a tip it's a it's
1:08:26
in a sale context it's typically the asset that would
1:08:29
sell. So they want you to get probate because it's typically that
1:08:32
typically the buyer lawyer is going to be asking for it to make sure that their

1:08:37
title is clear. But why do they do it only on that house
1:08:40
and not your other properties? You can do that on the other properties
1:08:43
too. But then most likely in our case, right? Like when we think about Rob, we
1:08:47
wouldn't leave anything directly in their names. We would leave everything
1:08:50
through the company, right? So, we expect that at least the house they live
1:08:55
in, it's going may be probated. There's a strong chance of being probated. Not
1:09:00
that it has to be, but like if the kids don't want to keep the house, it will be
1:09:04
probated at that point. Yeah. Because the probate would happen
1:09:09
when they sell it then. Mhm. Yeah. Basically,
1:09:12
not when they pass away. Not when they pass away. I thought that
1:09:16
I thought that's when it would happen because when you go like you would get
1:09:20
probated you only like probate is not mandatory
1:09:22
right by mandatory but then you you will be like okay I need to sell the house
1:09:26
then you definitely have to get probated. Yeah,
1:09:29
you don't automatically go for probation if you don't need it.
1:09:33
For so many of the estate tax returns and and deceased tax returns out there,
1:09:37
a lot of them had probate listings. Yeah, I know.
1:09:40
Because they were probably liquidating their funds. That's why
1:09:43
maybe it wasn't planned for like people just automatically with the probate. But
1:09:48
we usually we usually avoid probate until we know who's asking for it
1:09:52
specifically. Yeah. I've seen a lot of the probate
1:09:55
list come in and helped me do all those returns and get the market value from

1:09:59
there. It was always awesome. That's a good idea that you know you get
1:10:02
that information from it. It keeps it keeps things organized.
1:10:05
It does because you need to report all that but
1:10:07
Yeah. Yeah. Okay. So the so the house that's why.
1:10:10
Understood. Yeah.
1:10:11
But then then we would typically put all the other assets on the second will
1:10:15
because the second will have to get if you're going to go get probated, it'd
1:10:18
only be that one primary will that you would be subject to the probate tax. You
1:10:22
wouldn't take your secondary will. That's right. Yeah. Secondary will will
1:10:25
not be probated because it just be kept private.
1:10:27
Yeah. And then the primary will which
1:10:29
typically has your house, maybe bank account.
1:10:33
We try to keep assets very low and minimal
1:10:36
in in personal hands, right? That will be probated.
1:10:39
If there's any investment accounts once they're in the company,
1:10:41
but shares are just excluded. I know that.
1:10:43
Yeah. They're in the secondary will. That's why they're not
1:10:45
That's why they're excluded. Yeah, that's why they're not count.
1:10:47
But can't you but you have to pick and choose what you put in your first wheel
1:10:51
versus your second will. It just talks about it. You can ch pick and choose or
1:10:54
you can talk to you can list them in way of classes of assets that are in there.
1:10:59
Okay. So you can say my house is in there.

1:11:02
Yeah. My
1:11:05
bank accounts in there. And then the primary will capture those and it will
1:11:10
say the assets in my secondary will the primary will say there's a secondary
1:11:14
will in which contains excluded assets and then they're not to be counted as
1:11:19
part of the primary will. Then you look at the secondary will prim secondary
1:11:23
will say connects to primary will say yeah this is the primary will and the
1:11:27
person has primary will also and then these are the assets that are in the
1:11:30
secondary will say shares of a company private company promisory notes
1:11:37
stuff that I didn't know it said promisary notes
1:11:41
promisary notes you can like if if if you had a loan between your family
1:11:45
members you can say that is also in my not just intercorporate credit
1:11:49
shareholder credits but Like you had a private loan between.
1:11:52
So you pretty much put everything other than your primary house
1:11:56
basically. What else in your like just your house?
1:12:01
Yeah. Basically your house but even to the house you can like try to do things
1:12:04
to get away from that. What about your investments?
1:12:07
Investments are in the company, right? Right. Yeah. For our Yeah. Yeah.
1:12:10
Yeah. We're talking about Rob. We're talking about Rob.
1:12:13
Yeah. So let's talk about the you know once we have completed Rob's
1:12:20
planning I'm gonna talk to the camera. So we're going to start now like cut out
1:12:24
the all the internal discussion. So now that we have done you know
1:12:30
discussion about setting up a structure we spoke about lifetime capital gain

1:12:33
exemptions for Rob. Uh we spoke about you know state freezes and he's
1:12:39
basically said he's got a family trust. We know he's going to be getting his
1:12:43
children to Canada if he can, right? But then I think we should talk about
1:12:48
like you know what is the role of your will documents what he did in this case,
1:12:54
right? Yeah.
1:12:54
So you know talk like explain like what we did in
1:12:59
his case in respect of the his wills and the documents that that had to be
1:13:03
redone. Yeah. Yeah. So we so every time we do
1:13:06
some of this planning we ensure the wills are updated because we want to
1:13:10
make sure the new structure you know speaks to the will.
1:13:13
And you know how many times I've seen people um do restructuring and they
1:13:20
never look at the will again. They never like actually connect the
1:13:23
planning. Yeah. But they definitely need to
1:13:24
connect the planning because a lot of things change. Yeah.
1:13:27
Yeah. So like if you made all those changes Yeah. Continue on.
1:13:30
Yeah. You definitely need to make sure that those updates have been made to
1:13:33
your will because your will is the document that's going to you know speak
1:13:36
to what happens with each of your assets and during your planning things have
1:13:40
changed things have changed.
1:13:41
Um so coming back to probate there there is a strategy that you can take to avoid
1:13:46
your probate in Ontario
1:13:47
in Ontario to avoid the probate tax is that you can create

1:13:51
another secondary will. So primary will secondary
1:13:54
so there you would have your primary will and then your secondary will. So
1:13:59
your your primary will would list out your assets such as your home,
1:14:04
right? And it would speak to your secondary will to show that this will is
1:14:08
excluding my assets listed in my secondary will and the secondary will
1:14:13
not be probated. Yeah. So like when I'm going through the
1:14:16
probate process because someone's asked me to probate certain asset and I must
1:14:20
go probate. Yeah.
1:14:21
And certify that I'm the executive. Yeah. That's when you only want to
1:14:26
probate stuff that is expected to be probate and put them into a primary ass
1:14:30
primary will so to speak. Yeah.
1:14:32
And escape from probate for everything else that in the secondary.
1:14:35
Yeah. And I think in this case we were projecting $1 million of probate tax
1:14:39
because Yeah. A lot of the value was really coming from the house but also
1:14:44
majority of it was coming from his companies.
1:14:46
So like we we put the company shares that are subject to probate in the
1:14:53
secondary will. The problem I mean really is that if someone has to probate
1:14:57
one asset, you can't cherryick the asset to
1:15:00
the whole will would be probated. You have to probate the entire will.
1:15:04
So like but if you can like segregate the assets, probatable assets that we
1:15:08
think might be probated and stuff that definitely doesn't need to be probated,
1:15:11
you put them in the secondary will, right?

1:15:13
So the trust in this case that we had set
1:15:17
up, you know, when we were talking about the replacement trustees,
1:15:20
Yeah. Uh we made that connection to the to Rob's will as well, right? Like
1:15:25
Yeah, we did. We listed out the replacement trustees in the will.
1:15:28
Yeah. Because once the trust deed has been
1:15:30
documented and we've defined each role, it's not a good idea to go change your
1:15:35
trusted. Yeah.
1:15:36
Right. So the will can be updated multiple times. Things can change in
1:15:41
your lifetime and you can update that. M so it so for for um Robert's case we
1:15:48
ensured that the replacement trustees were updated in the will.
1:15:51
Yeah. And I think I mean it really stems from a tax issue that if you were to
1:15:54
change the trusted then it might create a tax issue uh whereby you know create
1:16:00
taxation within the trust and um that's because of how CRA thinks whether or not
1:16:06
the trust has changed in a significant way. So you don't want to like the once
1:16:10
the trust document is locked, signed and sealed, you don't want to change things
1:16:15
in it. So you want to keep all the flexibility into the will side.
1:16:18
Yeah. Basically.
1:16:19
So um uh you know you mentioned like the house maybe let's talk about why even
1:16:25
like primary will be probated in what circumstances.
1:16:31
So you said like the house was left in for Robs. Yeah,
1:16:34
we left the house in the primary. Well, we clearly thought that it would be
1:16:38
probated for some reason, right? Let's get into it. Why commonly a house might

1:16:42
be probated sometimes? Yeah. Um, it comes back to
1:16:46
when you have children like Robert's case, they have their own homes. They
1:16:50
live elsewhere. So, so Robert's home most likely is going to be sold. Not and
1:16:56
not all the time do the beneficiaries keep their parents' home, right?
1:17:00
I think children don't keep it. They definitely don't keep it. They get rid
1:17:04
of it. They sell it. And when the sale process occurs, um, and someone's buying
1:17:11
the property, then they're looking to see who owns that property. And they'll
1:17:14
do a title search, and they'll see that the estate owns it, right?
1:17:19
And whoever's selling that property, the children,
1:17:22
they need to kind of prove out that they're actually
1:17:25
like they have the authority to to make that sale and that they it's kind of
1:17:30
there, right? So, they'll need that proof and they may need to go get that.
1:17:34
The buyer's lawyer will ask the buyer's lawyer might want to get
1:17:37
that that like another place you got to show the
1:17:39
certificate, so to speak, and to show that I'm I have the authority to
1:17:42
do this. Yeah. Yeah. I mean, that is I mean, to to
1:17:45
their credit, it's it's important that you buy a house from a person that's the
1:17:50
owner of the property. And if they simply don't appear to be selling the
1:17:53
property, then you want to make sure that the estate who is selling the
1:17:57
property has the authority to sell it by having the probate done. I mean very
1:18:01
commonly I would recommend that. Yeah.
1:18:03
Right. So you know interestingly some people try to escape that too by um

1:18:09
having uh the individual who's on the title. Let's say Rob's on the title.
1:18:15
Sometimes one of the probate planning is done is to add other people on the
1:18:20
title. Um so like Rob might add his wife might
1:18:26
add his children to the property. It creates a question to say that okay well
1:18:32
and then you add like a right of survivorship.
1:18:34
Oh yeah. You say okay if I pass my ownership of
1:18:38
the house goes directly to the people who are now remaining on the title.
1:18:42
Yeah. And very commonly people do that and I think it creates confusion in the
1:18:47
minds of many people is like if you added somebody in does it mean that you
1:18:51
have now I mean people do it to save probate taxes because then if you add
1:18:56
them in and my ownership directly passes to the person who's surviving and
1:19:01
they're on the title then that asset doesn't really need to go to the
1:19:07
to their estate. Yeah.
1:19:09
Right. So, but it creates confusion as to like
1:19:13
now that you've added that person in, do they now own the property? Is it
1:19:18
their property? And like is it just for like the sake of saving probate tax? Has
1:19:23
that person now sold their interest? Yeah.
1:19:25
Do the person who's come on the title? And I think it it does I think you want
1:19:30
to get like more tax advice on that because there are some implications of
1:19:33
doing so. Um like for example actually um I was dealing with uh one of the
1:19:39
situations or a question that came to me was mom dad were on the title
1:19:45
and son was added in. Mhm.

1:19:47
Right. Of a property. This is not Rob's case by the way.
1:19:50
Yeah. Right.
1:19:52
So mom, dad and son now came in. Son had no interest in the property. He was just
1:19:56
added in for like probate planning. When dad passed away,
1:20:04
his portion of the ownership by way of right of survivorship went to
1:20:10
mom half and the other half went to the son.
1:20:14
Yeah. The problem is that when a spouse when
1:20:19
when a person passes away and their assets go from one person to their
1:20:24
spouse, it moves without tax. Yeah, we should have mentioned that
1:20:27
earlier. Tax deferred, right? Yes. Tax deferred. Yeah.
1:20:30
But because right or survivorship there was no agreement to say there's to say
1:20:35
that look um the assumption is that there's no agreement say otherwise.
1:20:40
Um it basically means that the dad's portion who passed away it was split his
1:20:46
portion was now split equally with the his wife surviving spouse
1:20:50
and his son. The problem is that the portion that
1:20:53
went to the son was not taxable. Yeah.
1:20:56
We're talking about rental property by the way. Yeah.
1:20:58
So that's where I think it can backfire sometimes where you try to avoid the
1:21:03
probate tax by just adding people directly to the
1:21:05
title. Yeah. You you avoid a probate tax, but then
1:21:08
now it created income tax which you could have avoided. So I think you got
1:21:11
to make sure like everything aligns and you don't have a

1:21:14
disjointed planning. Yeah.
1:21:16
Right. Um but let's talk about even like you know I
1:21:22
mean we were talking about this $10 million problem.
1:21:24
Yeah. And um how much does he have in the bank to pay
1:21:31
for it? Typically don't have 10 million laying
1:21:34
around. Laying around. Yep. Even the wealthiest
1:21:36
people like they don't have money laying around in bank accounts like
1:21:41
that. No, they don't. And it can result in
1:21:44
fire sales like we were talking about if it's not planned for. So what like let's
1:21:49
let's let's walk through like what did Rob
1:21:53
end up considering and like what was his decision making what we were able to
1:21:56
bring in. No because he was in his late 70s right
1:21:59
and he didn't have life insurance. That's one of the things that we do ask
1:22:03
him in during the discovery phase.
1:22:05
He had a very small life insurance like half a million which is like
1:22:09
5% of Yeah.
1:22:11
tax that he needs to come up with. Yeah. It just it wasn't enough to pay
1:22:15
$10 million worth. Yes. So, we did explore life insurance
1:22:19
with him to see if he starts paying premiums into life insurance now,
1:22:24
you know, how many years will it It's crazy that you can still get life
1:22:27
insurance at that age. Yeah.
1:22:29
Right. But people wouldn't sure You can. It'll just be really expensive.

1:22:32
Yeah. The numbers were astonishing. Yeah. $500,000 a year.
1:22:37
Yeah. I mean, it was fixed to say, "Yes, you're going to The scenario, I believe,
1:22:42
was you have, you know, you got to pay $10 million in tax." Mhm.
1:22:46
That happens when you die. So, you don't know when you're going to die because
1:22:48
you're 78, but hopefully hopefully another 10 years,
1:22:52
10, 15. I mean, you try to be optimistic. It's hard to say it to their
1:22:56
face that you're going to die sooner than later,
1:22:59
but I think everybody knows when we're talking about these things.
1:23:02
Yeah. But it was it was half a million dollars and I think we said that there
1:23:08
was a cap on the insurance toy that that the half million dollars only had to be
1:23:12
paid like over seven years. Mhm.
1:23:14
Five five to seven years. It was a specific type of policy, lots of
1:23:20
different features to it, but it came down to the fact that if you paid
1:23:25
$500,000 per year for the next seven years, uh, which is about, you know,
1:23:31
uh, three and a half million. Is that right? The math is right. Five times
1:23:37
seven. Yeah. So, yeah. So, it's about like it's
1:23:42
about, you know, uh, it the number came up to around seven million. I remember
1:23:47
3.5 million. Yeah.
1:23:48
3.5 to $4 million. I remember that. So
1:23:53
if you paid that over and like almost consider that you have to pay,
1:23:58
you know, half a million dollars to about per year for the next seven years,
1:24:02
let's say $4 million or so in tax in in insurance

1:24:07
policy. But we knew that if he died at any
1:24:10
point, he's covered for the full 10. So even if he'd contributed half a
1:24:13
million one year and he passed away the next year, he knows the 10 million will
1:24:17
come taxfree by the way.
1:24:20
Yeah. Right. Um but he
1:24:24
a he doesn't know when he's going to die,
1:24:27
but he had a guaranteed insurance payment that will come through
1:24:31
to to bring liquidity to pay the tax. Yeah.
1:24:36
And um uh a lot of times you do that math, you compare how much premiums are,
1:24:42
however horrible they might be. Yeah.
1:24:44
But in the in the context of like facing $10 million and comparing that to like,
1:24:48
okay, I'm going to pay four million instead. That's a deal.
1:24:51
Yeah. Right. That's that's that's a good deal
1:24:54
in in any any at any point. So, um but at least you try to figure
1:25:00
that out. But the problem is that a lot of times people are not insurable
1:25:05
at that age, right? like
1:25:09
if you're older then you could have a lot of health concerns and you have to
1:25:12
do a whole test to see how your health is.
1:25:15
They do the medical test. They'll do the medical test and you
1:25:17
might not be insurable. Yeah. Yeah. So like you know sometimes
1:25:21
insurance companies will outright deny you insurance because the risk of
1:25:25
insuring you is so high that they will not get much premiums

1:25:29
before you pass away. Yeah. Yeah. It's a business for them. So
1:25:32
it's a business for them. It has to make sense for them.
1:25:34
It has to make sense. So I guess the ear if Rob had come to us like you know 15
1:25:41
years ago when he was like in his um 60s even
1:25:45
Yeah. Right. Then the premiums would have been
1:25:48
like less than half. Yeah.
1:25:51
Right. Maybe a couple hundred,000 as opposed to $500,000.
1:25:55
Yeah. And he would still be able to do the
1:25:57
same thing, but it would be much cheaper.
1:25:58
Yeah. And um in this case, he was insurable.
1:26:03
He got an insurance policy, was able to cross that liquidity big question
1:26:09
at a good time and then the policy was actually put into a corporation.
1:26:13
So corporate dollars went to pay for the policy
1:26:16
for tax purposes. The policy premiums are not deductible for tax, but then
1:26:21
still much better deal. Yeah, it's better because you don't have
1:26:23
to pull the money out, right, and pay personal tax. You can use your corporate
1:26:26
funds to pay down your premiums. Yeah. But there's so many permutations
1:26:30
and combinations of like uh that can go down in designing an
1:26:34
insurance policy. So, I think you definitely want to take
1:26:39
a state freeze, figure out what your taxes on death is
1:26:44
now that you've determined. Figure out how you're going to pay that
1:26:48
tax. Yeah.

1:26:49
And then consider your savings, your lifestyle, where you're going to get the
1:26:53
money from, the type of assets you have. Some cases people actually sell their
1:26:57
they think about, okay, my house is taxfree. It's
1:27:00
one of my biggest assets that I have owned.
1:27:02
I should sell it, downsize. Yeah. Like you know, invest or they die
1:27:06
like the children will sell the house, it'll give enough money to pay the
1:27:09
taxes. Yeah.
1:27:10
Right. Some people do think of that like that is their insurance policy per se
1:27:14
because it's a taxfree asset just like an insurance policy is.
1:27:17
Yeah. But you know what? Then you're dependent
1:27:18
on the market. You're dependent on if let's say a house really is a huge $10
1:27:23
million asset for let's say Rob in this case.
1:27:26
Yeah. How many $10 million houses are sold?
1:27:29
It takes a long takes a long time. You see them on the market for a while.
1:27:33
You see them in the market for like nobody wants to buy like today
1:27:36
if if Rob had passed away, good luck. Like you're not going to be able to sell
1:27:38
the house right now. You will not. Yeah.
1:27:40
Right. So whereas with life insurance, you get
1:27:42
that payment, right? And it's you're guaranteed that that that payment
1:27:46
on a timely basis. Yeah. Timely basis. Yeah. So
1:27:50
um one of the things that um you know that we had also uncovered was uh Rob in
1:27:59
his business had foreign companies. Yeah.

1:28:02
And uh um I mean that part of the discovery phase was that
1:28:08
nobody had figured out that they were not disclosing foreign companies to
1:28:13
Canadian government. Yeah.
1:28:14
And they were really behind on those filings and disclosing them. Yeah,
1:28:18
let's speak about that the process we took for in that context like what were
1:28:23
the filings? What do we end up doing with that?
1:28:25
Did you do BDP? Yeah.
1:28:26
Okay. I wasn't involved. That's what John worked on.
1:28:30
Oh, did you? What? We just did the VDPS. But it took
1:28:33
us like a year to convince them year of like finding information getting
1:28:39
them on board. We just It took us six months to prepare
1:28:43
them. So I think you should talk about Is it Is it filed?
1:28:46
Yeah, it's filed now. Okay, you should talk about that. You should
1:28:48
talk about the pros. Six years.
1:28:49
No, it took us a year. It doesn't make sense.
1:28:52
It took us a year. It took us a year to convince them to do it.
1:28:57
Why? Because it's it's it's tough, right?
1:29:00
Like I mean now you're disclosing so much
1:29:04
information to the government. Yeah. Yeah.
1:29:06
And you're like thinking what if it doesn't get accepted?
1:29:08
Yeah. And then you're facing the wrath anyways that you was that you thought
1:29:13
was like not going to be. Yeah. So you finally filed it under the

1:29:19
VDP. Okay. I have to go to Washington. So
1:29:22
this is a good time to go. We'll keep it running.
1:29:31
BDP just talk about like how long it took
1:29:35
process. afterpend Slowly,
1:35:56
you should have Okay,
1:36:15
that's good. Oh, you're already you're still
1:36:17
recording. That's good. It'll create multiple files,
1:36:22
right? That makes sense. Okay. So 1134 is BDP 6 months of convincing. Okay.
1:36:29
Yeah. I mean it's not easy, right? Because they know they had like 1134s
1:36:33
are like how many years were they outstanding?
1:36:35
10 years. 10 years. Okay.
1:36:38
Okay. Sunny. Another thing that we noticed during the discovery phase was
1:36:43
that Robert had this US corporation that you know as a Canadian resident owning a
1:36:49
a foreign corporation that you control. Yeah. um there's a disclosure
1:36:53
requirement and Robert didn't know about this disclosure requirement.
1:36:57
Yeah. I mean it's it's not the intent of like us trying to figure out these
1:37:01
delinquencies, but I think when you're going through the discovery phase, you
1:37:04
try to you you come across these issues and you ought to have a conversation
1:37:09
about them. Yeah. and and you know speaking to him
1:37:14
and telling him about this obligation in reviewing his tax returns we noticed
1:37:18
that this disclosure wasn't made and the penalties are huge
1:37:21
of not having to file it's a T134 to be specific right like penalty is what like

1:37:30
$2500 per missed return uh maybe more if gross negligence is
1:37:36
involved yeah and then we and there was 10 years
1:37:40
of filing needed to be done, right? And thankfully there was no audit.
1:37:44
So we so after multiple conversations letting
1:37:48
them know their options, there is an option to go through the voluntary
1:37:51
disclosure program and and the rules have just recently changed and since
1:37:56
there was no audit, we were able to take them through the unprompted route. Yeah.
1:38:01
Um which allowed for more penalt um allowed more
1:38:04
forgiving of interest and penalties, but it took a lot of convincing.
1:38:08
Yeah. I mean what it took long like six months
1:38:10
of just talking about this issue continuously and trying to understand
1:38:15
like are we going to be putting red flag on our backs to like
1:38:18
now getting audited on this issue but it was like you know I mean you got to do
1:38:22
the right thing eventually one way or another if they find out
1:38:26
it's not going to be pretty and you'll be exposed to like
1:38:30
lot of penalties a lot of penalties and thankfully we do have this this
1:38:34
voluntary disclosure program available to us to be able to come forward and say
1:38:38
we made this honest mistake. I think that that that that was like one
1:38:41
delinquency. We just filed it not long ago, but like I think you you you tend
1:38:46
to uncover these like in like discovery phase some of these issues like foreign
1:38:51
filing like disclosure in Canada not done in respect to the foreign filing or
1:38:55
for foreign company minute books were a mess.

1:38:59
Yeah. Right. You mean you looked at the minute
1:39:00
books what was there for? There wasn't much. We had to rely on on the class
1:39:05
tax return and what they told us, right? And I mean they had done previous
1:39:09
restructuring. Not much data was available either,
1:39:12
right? because they changed lawyers and there was not one set of like consistent
1:39:17
books and records of the companies and I think that was pretty um
1:39:21
not a good place like if he had not done anything and passed away I don't think
1:39:25
people would be able to figure out without his
1:39:28
um understanding and knowledge and context and the history of the company
1:39:32
to what's happened with the company over time.
1:39:34
Yeah, we had to rely on piece it all together.
1:39:36
Yeah, we needed him to piece it for us, right? and we were we were um hired to
1:39:40
do that and and ask the right questions and we're aware of what to ask
1:39:44
professionals and adviserss, but it's difficult for an executive that doesn't
1:39:48
have that experience. I think it would be tough for an executive to find these
1:39:53
delinquencies and because you know what though like if the executive is not
1:39:58
tasked in respect to these um filings for the person who's passed away they
1:40:03
also have responsibilities for like any tax issues that the person who's died
1:40:08
hasn't dealt with like if the person hasn't like been filing some T134s or um
1:40:15
from some some of these like you know nuanced returns then it falls on the
1:40:20
liability falls on the executive. They may or may not know this.
1:40:23
I don't know if they know all of that to be honest when they're saying, "Sure,

1:40:26
I'll be your executive." Yeah. When they take this on like I mean
1:40:29
it's not an easy job and it's not,
1:40:31
you know, uh I mean to to to square that off, right? Like when when the executive
1:40:37
has done their work and done very hard work to like distribute the assets and
1:40:41
like close down the estate, they've done their work, right, and paid the taxes.
1:40:46
Usually we try to shut down the estate and
1:40:50
you'd wind it up. Yeah. Wind it up and like
1:40:52
there's a clearance certificate process. Yeah.
1:40:54
Yeah. Can you can you talk about that a little bit? Like why does it exist? What
1:40:57
is it for? It's not mandatory to do.
1:41:00
Yeah. But we highly recommend to do it because
1:41:03
I I think in my career I've always done it.
1:41:05
We've we've always done it, but I know it's not mandatory. And you do have uh
1:41:10
as an executive when you're shutting down an estate, you want to make sure
1:41:14
that you've gotten this clearance certificate from the government to say
1:41:17
I've paid all the tax from the CRA that I've paid all this tax
1:41:21
for the estate. I've done everything I needed to. And then they
1:41:25
tax returns for the individuals have been filed. The estate returns have been
1:41:29
filed. And um CRA gives you this certificate to say that okay like you
1:41:34
submit all the documents to show the notice of assessments that the
1:41:37
everything's been filed and if there's a probate
1:41:40
I guess it gives a chance to CRA to come and say no there's something

1:41:43
outstanding. Yeah. It gives them a chance to say like
1:41:46
you know you might be missing something right here's like this final check.
1:41:49
Yeah. Um but if it's all clear then you're issued this certificate and
1:41:54
yeah which I think is is key like you want to be able to get clearance
1:41:57
certificate so that you should yeah
1:41:58
like few years down the road if CRA doesn't agree to something or some new
1:42:01
information come to light that CRA now feels that the executive ought to have
1:42:06
known and must have done it and now the executive is responsible for those
1:42:11
interest and penalties personally. Yeah. Um especially when the estate has
1:42:16
been wound up, the assets have been distributed long distributed with the
1:42:19
beneficiaries. Now they have to probably financially face these penalties
1:42:22
themselves. Yeah.
1:42:23
So like why not always get a clearance certificate,
1:42:27
get the clean shed and say I'm done. Like I'm
1:42:30
I'm done. I did what I needed to do. My responsibilities are clear.
1:42:33
Yeah. I think it takes about like, you know, in my experience, it takes about
1:42:36
two to three months to obtain one. It takes a while. Yeah. But um but I
1:42:40
think it's an important important document to have.
1:42:43
It's an easy submission. It's not too difficult to do and it's it's just good
1:42:47
to get that once you're done everything. Yeah.
1:42:49
Yeah. Um you know so so I mean you really see from you know from the
1:42:56
evolution of what the current structure was where do we end up with and the work

1:43:01
is still not completed right like I mean all of this that we just did for Rob um
1:43:07
including some of the delinquencies etc we need to fix um it really something
1:43:12
called you know call it a premortem tax planning right
1:43:16
which is to say do all the stuff that you can do before you die. Yeah,
1:43:20
but our tax system is not as simple. No, it's complicated.
1:43:24
So, unfortunately, if and when Rob passes away, he's going
1:43:29
to own some value in former shares. And we've been very simplifying this issue
1:43:34
that to say he lower $10 million of tax, but the truth is that he will likely be
1:43:40
facing double or triple
1:43:43
Yeah. tax.
1:43:44
Yeah. which is um which is quite a anomaly or like a systemic problem in
1:43:51
our tax system because it's not fair that now you have to do something called
1:43:56
a postmodm tax planning which is this restructure needs to be done
1:44:00
in order to eliminate that double or triple
1:44:03
double or triple tax. It's like so it's mindboggling that
1:44:07
everybody has to do it and you always have to keep explaining that you know
1:44:10
this is a there's a process to be had afterwards
1:44:13
post death just so you can eliminate taxes that you
1:44:16
should not be paying or you know all that stuff.
1:44:19
Yeah. Yeah. Definitely. I mean let's break it down right like I
1:44:23
mean let's put some numbers in in this scenario.
1:44:27
Sure. We won't use Rob's number because I mean

1:44:29
anybody can face it really. Yeah. But let's say very simply, you
1:44:33
know, you own shares that are worth at the time of death, let's say $1 million.
1:44:37
Yeah. In a company and they still existed. So
1:44:41
you pay tax on it. Okay.
1:44:42
So the person, so when the executive is filing the tax return for the
1:44:45
individual, they're going to say shares of a private company,
1:44:50
tax gain of $1 million, there be 27% tax rate. So let's say $270,000 goes to
1:44:57
government. Yeah. And you haven't sold the shares of
1:44:59
this corporation. And you still cough up the money yourself. You still you cough
1:45:02
up the money. You still own the shares. Um but the value is trapped in your
1:45:06
company. You paid it. You've paid it. Yes.
1:45:09
Now the executive or the children are
1:45:11
thinking, well, we've got tax paid asset relation to the company. Let's take out
1:45:17
if the company has money, let's take out that money because we've already paid
1:45:22
tax on it. Million bucks have been tax paid money.
1:45:25
Yeah. Um guess what?
1:45:27
You're taxed. It's taxed. It's like a dividend tax,
1:45:30
right? So, so it's even a higher tax.
1:45:32
It's at 47% tax rate or could be up to 48% tax rate in Ontario.
1:45:37
Yeah. So to speak. So up to So I mean now you
1:45:40
have paid 270. Yeah.
1:45:42
You're pay potentially facing another almost $500,000 of tax. I'm applying 50%

1:45:49
tax rate to this as a dividend. Yeah.
1:45:51
So but but where's that cap?
1:45:53
What's the total? Right. So 300 almost 300 270 was 27% tax
1:45:59
rate was paid on the person's individual tax return.
1:46:02
Yeah. Then you are facing potentially another
1:46:04
$500,000 of tax because the beneficiaries or kids are going to take
1:46:08
the money out of the company. Yeah.
1:46:10
On the same million. So that's $800,000 of tax and you may
1:46:15
still not be done. Yeah. You might not be done because you
1:46:18
know where is that cash coming from? You want to pull that cash out but where is
1:46:23
it coming from? It could be tied into assets that have not been sold, right?
1:46:27
Like you could you could have cash sitting there. But
1:46:29
if you own real estate property, if you own real estate property or even
1:46:32
invest base does the the cost base in the the hands of the corporation
1:46:40
has remained unchanged. It has still original cost base. So when you may have
1:46:45
paid some tax related to the increase in the value of the property in the form of
1:46:49
shares that was included in the million and you paid $270,000 tax
1:46:54
and when the company sells that asset you've got another capital gain
1:47:00
corporate capital some form of double tax there as well.
1:47:02
Yeah. It's very confusing most times for
1:47:05
people to get it without an an outline of so but the but that tax is coughed up
1:47:09
by the corporation. Yeah. the previous taxes were paid by

1:47:13
the estate or the beneficiary and then the first level of tax was paid by the
1:47:17
individual. Yeah,
1:47:18
I think if you add that up, you could be like million dollars are gone in just
1:47:22
taxes. Yeah, like it's it's definitely a
1:47:25
majority of the value that is gone in taxes. So there's planning available to
1:47:28
do afterwards, but it's I think my frustration is like why even
1:47:32
required? Yeah, there should already be mechanisms
1:47:35
to not allow them. Yeah, but like unfortunately and those mechanisms are
1:47:39
not that easy or straightforward either. They're not. You need a professional.
1:47:43
There's Yeah, it's not something that the executive
1:47:45
can just tick off and say like I've paid tax on this.
1:47:48
Yeah, I wish that was you need planning. You need advisors, professionals
1:47:52
that understand the legislation to there's lots of terms that are thrown
1:47:56
around. We used butterfly previously. Let's list out what there are tax jarens
1:48:00
there that come into play. What is it like?
1:48:02
Yeah, the pipeline is a pipeline. Yeah, that's one of them. the 1646
1:48:06
carryback, right? The loss carry back. So,
1:48:10
and there's a bump bump. Yeah.
1:48:12
I mean, just to say that these are like tax jargon, but all to say is that the
1:48:16
pipeline eliminates the taxes that 50% tax. The bump might eliminate the taxes
1:48:22
related to the corporation. Yeah.
1:48:24
But, you know, it's an inefficiency in our system and um it's something that I

1:48:29
wish government pays close attention to and simplify these things. I wish it
1:48:33
could be just like check the box. Yeah. like a check to say we paid that
1:48:35
tax once. It's the same funds that are being drawn. Yeah.
1:48:38
Yeah. So like but all to say is that you know I think we always give that vision
1:48:43
to the clients like Rob knows about this by the way right at a
1:48:49
out of our couple meetings or several meetings we had we made a point to model
1:48:54
that out for him. Like what's his double triple tax going
1:48:57
to look like? However much fuming he was at that moment in time,
1:49:03
he was really frustrated afterwards. It's it's it's it's like a never- ending
1:49:07
story where you have to keep doing these things.
1:49:11
We're tasked to explain it all to them and it's unfortunate we have to tell
1:49:15
them. Yeah. And I mean look, I mean, you know,
1:49:17
there's a whole industry out there related to dealing with this, right?
1:49:21
This professionals, tax accountants, us like us, lawyers, etc. But it's also a
1:49:27
very niche area where like not everybody understands how these mechanisms work.
1:49:31
No. And our tax system is, you know, super
1:49:34
complex in these situations because if you get these things wrong,
1:49:39
um, you could be faced with other problems.
1:49:43
Yeah. Well, you know, when you're getting your CPA and you're getting your
1:49:46
CA, like, you know, you're not you're not focused on all these things.
1:49:51
You're not taught these things. You're doing an elective in tax and you're
1:49:54
taught it at a high level. Yeah.

1:49:56
But you don't know how it is seen in a practical point, right? And and you
1:50:01
learn by doing or you know getting that extra tax education to know
1:50:06
very practical side of things you need. Yeah. So it's complicated to the level
1:50:09
that not every person or professional knows about. Like generally what we do
1:50:14
is like you know we try to model it out and we there are like these solutions
1:50:18
that we were talking about 1646 pipeline and bump and like maybe a combination of
1:50:23
everything. Um usually you want to model all these
1:50:27
different scenarios out and see which one's going to deliver the best
1:50:30
permutation and combination and not paying the amount of taxes that were
1:50:34
like exceeding almost almost a million dollars of tax.
1:50:37
Um which is like ridiculous in the example that we were just talking about.
1:50:41
But it's it's it's not an uncommon scenario. Unfortunately, it's not like
1:50:45
someone in extreme example we might be facing it. It's actually very common.
1:50:49
I actually came across one of the families that we dealt with not long
1:50:53
ago. They had no idea that they were exposed and had been paying double or
1:50:58
triple tax all this time because once the person paid the tax,
1:51:02
parents paid the tax on their death or the executive did,
1:51:07
they didn't take out the money right away.
1:51:09
They started drawing it over time. over time. So they never saw that 50% tax
1:51:13
right away. Yeah.
1:51:14
And the corporation never sold the property 10 15 years later.
1:51:18
Yeah. Sometimes like as clients like you're just like get taking the money

1:51:22
paying the tax. Like you know you're not thinking questioning the system. Am I
1:51:26
paying double triple tax? They're not thinking that far ahead.
1:51:28
But accountants don't even know that. Like I'm not going to lie. Like I mean
1:51:32
accountants are great in terms of putting all the financial statements,
1:51:35
tax returns. Yeah. But this is such like an
1:51:39
unintuitive situation that people think do not
1:51:45
everything. It's very unintuitive. Yeah.
1:51:47
So at all times if you own like a private company shares, always assume
1:51:52
that you're going to be exposed to double tax and get some tax advice
1:51:55
there. Yeah.
1:51:56
Because it's just going to erode your wealth or your savings over time. Do
1:52:00
nothing. Simple as that.
1:52:02
Simple as that. And and CRA is not going to challenge it.
1:52:04
No. CRA would love to collect all that double triple They say, "Well, they sold
1:52:08
a property. There must be a capital gain by the company." Well, no, we paid some
1:52:11
tax before. Yeah.
1:52:12
Right. So, Siri's not going to help you in this
1:52:14
situation. You have to plan and your adviserss will help.
1:52:18
Yeah, that's the problem. And um it is something that people have to look out
1:52:22
for themselves and make sure they're they're not uh paying more than they
1:52:26
they're supposed to and and whatnot. Yeah.
1:52:28
Right. Um so uh when you know we're done this I guess

1:52:36
some of sometimes or not sometimes but like it's in Rob's case right
1:52:44
what he wanted us to do was uh and again not everybody does this but I think it's
1:52:48
a good idea to do it um was like prepare a very simple summary of what was done
1:52:56
like our tax planning was so comprehensive had so
1:52:59
of issues and questions and whatever and
1:53:03
and they're getting and the clients are getting many tax lessons right in
1:53:06
they're also becoming tax they're trying to just catch up to
1:53:09
what we already know. It's a lot of information thrown at them,
1:53:12
right? So, like it's almost like you have to like create a summary, very
1:53:16
simple summary as much as you can of like what was done to for tax
1:53:23
planning, estate planning, what it will be done such as the
1:53:28
postmodm tax planning we talked about, what are the expected taxes to pay.
1:53:34
Very simple memo. So like it's almost meant like if that person if Rob passes
1:53:38
away he can like have this onepage twopage document somewhere that his wife
1:53:43
knows or kids know to get and and that's like a summary of like what he's done.
1:53:50
I mean in addition to getting in touch with the advisers who did them but it's
1:53:53
not a bad idea to like document just a very simple summary for yourself. Even
1:53:56
though when do when we do our work I mean there's a you know very thick stack
1:54:01
of memo that details everything details everything we have lula lawyers
1:54:06
your lawyers updating all the documents yeah
1:54:08
right but like you have all that but like that could add up to like yay big
1:54:11
thick stuff there's a lot to go through it

1:54:14
but it's a good idea to like really distill it down to like simple
1:54:18
document that synthesizes in simple terms for somebody to
1:54:23
understand um especially like numbers were there
1:54:26
possible or what issues were they contemplated why what were the
1:54:29
intentions of doing this etc. I think it's not a bad idea
1:54:33
and it's a great thing to add to the file that you would give to the
1:54:36
executive, right, that's going to handle your estate.
1:54:38
Yeah, absolutely. I think um uh it's it's definitely feels like a drag to
1:54:44
like com to have uh to complete a lot of stuff, but I think this one last thing
1:54:51
that you going to do is like so important.
1:54:53
Yeah. Because you walk away from the planning
1:54:56
and reorganizations, restructuring, six months later it's gone out of your head.
1:55:01
You won't remember things. No, you won't remember. Yeah, but you do
1:55:04
walk away. You do walk away feeling at least organized that you dealt with
1:55:08
these major decisions that you've been putting off.
1:55:11
Yes. And that there's professionals and
1:55:12
adviserss that have documented your decisions and you walk away feeling much
1:55:17
better. Yeah. And I think it's a good idea like
1:55:19
even to um uh like with Rob for example, we do
1:55:23
like you know every quarter or like semiannual touch points. We're not their
1:55:27
accountant. We don't file their tax returns for it. um or that's not our
1:55:31
role. We just help him do these like you know high stakes complicated planning

1:55:36
and we move to the next thing that we are supposed to be doing.
1:55:39
Yeah. But then his accountant
1:55:42
that he deals with has dealt with for over like 20 years.
1:55:46
And um Rob himself um we get together every quarter, once a
1:55:52
quarter or once and every six months we just chitchat.
1:55:56
Yeah. Yeah. To say how things are going,
1:55:58
what's changed, what's the new development,
1:56:02
and they tell us, "Yeah, we're still getting the kids in. Oh, yeah. I was
1:56:05
able to get one one child back to the country, like I
1:56:09
had to buy a house." Like, that's where we were able to keep up to date as as
1:56:12
what has transpired cuz some owners might then go buy more
1:56:16
corporations or invest more too and they they want to know, should I be adding
1:56:19
this under the family trust? Should I be putting it in this corporation? So,
1:56:22
there's always those touch points. Yeah. Like even simple things like oh
1:56:25
I'm going to get a life insurance. Um I have seen life insurance bought in like
1:56:29
operating company. We're dealing with a file such as that.
1:56:31
Oh yeah. And now we have to pull the life
1:56:33
insurance out. Yeah.
1:56:35
But like at a great tax cost, right? So it's always good point to like have your
1:56:40
accountant that's your trusted person but also pair them up with someone like
1:56:44
us to give highlevel strategy advice on as
1:56:49
and when needed so to speak. Yeah.

1:56:51
Right. Um but you know the the one thing that I would end um this important
1:56:58
discussion was that although we've been talking Rob as our example
1:57:04
it's it's important to say that our tax system is not developed
1:57:11
differently for um uh high netw worth individuals and like you know regular
1:57:18
people. Yeah.
1:57:19
It applies the same way. It's the same complexities
1:57:22
and tax. It's the same taxes that could be owing in terms of percentage of worth
1:57:28
net worth, right? Like you you're still looking at a 50% tax rate.
1:57:32
Yeah. Um at times,
1:57:33
however big or small your small the percentage is the same.
1:57:36
You're never going to be okay to pay like high high rates of taxes at the end
1:57:40
of the emotional impact, the complexity,
1:57:43
and the things to think about, the executive responsibilities that exist no
1:57:47
matter what your net worth is. Yeah. So like and I and also to say that
1:57:52
you know the estate planning intersects with tax
1:57:58
trust law. Mhm.
1:58:01
Um you know intersects with uh other like professions and experts like
1:58:07
financial planning is also part of it that you really do need a collaborative
1:58:12
um experience and a team that will work together.
1:58:16
Yeah. Right. And everybody needs to be tasked
1:58:19
with the solution. But I think the first solution that in our experience what we
1:58:23
do is like when we start a discovery phase once we know the skeleton of what

1:58:28
everything is and we can like start to devise a plan and then bring in the
1:58:31
professionals into the picture as and when needed.
1:58:34
Yeah. And um unfortunately you know owner managers are the ones who has to
1:58:40
deal with all this planning one way or another to save themselves you know
1:58:44
significant amount of taxes or like emotional
1:58:47
um tax. Yeah. Emotional tax. Yeah.
1:58:50
Right. Um at the end of the day they also get picked the most on like tax
1:58:54
audits and they do the higher net worth individuals
1:58:58
get can get picked on. Yeah they do. But like you know they have
1:59:02
help from like uh their adviserss but like not to discount that people who are
1:59:06
also doing these planning they also need to be able to do it properly and not
1:59:11
not just you know wing it. Yeah definitely don't wing it. There's
1:59:14
like a team of adviserss and professionals that can help you. It's
1:59:17
not just a one person thing right. Yeah. There's multiple people that are
1:59:20
involved. Yeah. Um where people have to pay um
1:59:25
taxes. We talked about income tax a lot, probate tax a lot, but I think maybe
1:59:29
it's important to like also highlight the last bits of like you know RRSPs and
1:59:35
like um you know designated beneficiaries if
1:59:38
you can speak to that. Yeah,
1:59:42
I thought we were talking about that separately.
1:59:46
Are we not? I don't know. Okay,
1:59:48
I think we should do a different case for that or multiple cases for that if

1:59:51
we want to do an episode on on like TFSAs like small stuff.
1:59:58
Got it. You can even put the title for that
2:00:00
person, right? Are we I think we're done.
2:00:05
You ended the So,
2:00:08
you can tell that you talked about this multiple times in multiple phase ones.
2:00:13
What 20 phasic? Yeah. It's such a common thing.
2:00:17
Talked about so many times. It's all phase ones.
2:00:19
I know it's all phase ones. You can tell the way you talk about it.
2:00:24
You've done it so many times. Yeah, phase ones are like that's why they
2:00:29
they're so exhaustive
2:00:34
like after phase ones like they they can be um
2:00:40
uh it's involved right like remember that other client that we worked on that
2:00:46
uh we didn't the only phase one I ever completed fully in my life there's a
2:00:50
couple of them in my there's two phase ones in my career
2:00:54
that we started never ended