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PRESIDENT'S MESSAGE



You know, financial planning isn't all about sober-sided responsibility. It actually has some wonderful side benefits. Aside from the quiet peace of mind you might expect, it also frees your energy and resources for a more fun-filled lifestyle.

What better way to express that financial freedom than with vacations that are as unique as you are. There are so many choices available today. I hope this issue expands your thinking on what's possible as you consider your summer options.

In the meantime, if you're like me, you're just anxious for those first sun-filled spring days. My personal plan is to be sipping coffee patio-side and celebrating the arrival of warmer days ahead just as soon as I can.

My best to you and yours,

Barb

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Alternative Vacations – It's Not Too Soon To Think About Summer Vacation



Bored with the same old vacation plans? Looking for something more stimulating than your usual holiday routine? Here are a couple of different ideas worth exploring.

Elderhostel

A non-profit organization founded thirty years ago, Elderhostel provides a combination of education and travel experiences for adults 55 and over. Over 10,000 "learning adventures" are offered each year in more than 90 countries around the globe. While the traditional programs focus on learning about the literature, art, history, and architecture of many regions around the world, newer offerings provide opportunities for active outdoor adventures or providing service to a local community.

Outdoor adventures range from cycling through Nova Scotia, to experiencing the life of a cowboy on a working ranch in Arizona, to observing the migration of the grey whale off the coast of British Columbia.

On a service program, you might be involved with tutoring school children in

China, building homes in Guatemala, or participating in dolphin research in Peru.

Home Exchange Programs

If you like to settle in to a different location and really experience the local lifestyle, a home exchange program might be just the ticket for you. With a home exchange, you trade your home with another party at a time that is mutually convenient. Most home exchangers are well-educated professionals with an interest in experiencing other parts of the world at a more intimate level than staying in a hotel usually provides. Not only do you have the benefit of free accommodation, you also have someone looking after your place while you're away.

How about spending four weeks in a two-bedroom apartment in downtown Edinburgh, enjoying the local restaurants and historic sights? Or six weeks in a home in the Lake Chapala district of Mexico, voted one of the best climates in the world by National Geographic? Prospective home exchangers in these locations are interested in coming to Toronto!

Estate Planning – Keeping It In The Family

When it comes to estate planning, the family cottage is one of the most challenging assets to deal with. Most of us want to make sure that our kids will continue to enjoy it after we're gone, but if it's gone up in value, there can be a substantial tax bill to pay when they take possession.

There are five different ways of transferring ownership of the cottage, but there's no way to avoid the taxman completely. Here are some strategies to think about:

- 1 Leaving the cottage to your kids in your will triggers capital gains tax and probate fees at the time of your death. Capital gains tax will be calculated based on the difference between the adjusted cost base and the fair market value when you die. In Ontario, probate fees of 1.5% of the value of the cottage would result in an additional bill of \$7500 on a \$500,000 property. The cash value of other assets in the estate can be used to pay the taxes owing, although some people prefer to buy life insurance in order to keep the full value of the estate intact.
- 2 Gifting the cottage to your kids now will eliminate probate fees, but capital gains tax will still be payable (unless the cottage was your principal residence), even though no money changes hands. The tax will be calculated based on the difference between the adjusted cost base and the fair market value when the property is transferred. If your property is still going up in value, gifting it today would result in a lower tax bill than passing it through your will many years in the future.
- 3 Putting the cottage into joint ownership with one or more children reduces the current tax bill, as only the portion being given away is subject to capital gains tax,



with the balance of tax payable when you pass away. But bear in mind that this technique exposes the whole property to claims of creditors and ex-spouses of any of the joint owners. If it's possible that any one of your kids might have financial or marital difficulties down the road, this probably isn't the best approach.

- 4 Transferring the cottage into a trust allows parents to keep control of the property, while transferring the future growth to their children. Once again, capital gains tax will be payable when the property is transferred. The cost of setting up and maintaining the trust also has to be considered.
- 5 Selling the cottage to the kids has the same advantages as gifting, but with the apparent disadvantage that the kids have to come up with a sizable amount of money. There is a way around this problem, though. Granting the kids a demand loan that can be forgiven in your will means that they may never have to repay the loan. And, in addition, you can spread your capital gain out over a five-year period, because you're not receiving all the proceeds of the sale right away. For many people, this may be the best solution of all.

TRAVEL EXPERIENCES INFO

For more information about unique travel opportunities, contact the following:

www.elderhostel.org

Unique travel and learning adventures for adults 55 and older. Programs include creative workshops, birding excursions, train treks, service holidays, and a wide variety of active outdoors pursuits.

www.homeexchange.com

An on-line resource for finding a suitable home exchange partner. The site features over 6000 listings, along with a mini-course on how to make a home exchange work.

www.caretaker.org

An on-line resource for locating housesitting opportunities. While some of these are permanent paid positions, there are short-term opportunities that would be suitable for someone who wants to spend a few months in a different part of the world, and doesn't mind housesitting while the homeowner is away.

MATTERS OF INTEREST

The Principal Residence Exemption

Selling your cottage or country home this year? Did you know that you could claim a secondary residence as your principal residence instead of say, your city home? At the time of sale, you have the ability to choose which personal use property had the highest gain and apply principal residence status to that property. This means that any gain would be tax-free. Certain conditions must be met and the calculation can be tricky. In addition, you must be careful not to claim principal residence status on two properties for the same year. Be sure to consult a professional to ensure that you maximize your ability to minimize tax!



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