



The David Miner Communiqué

Winter 2024

*"Teach your
children about tax,
eat 30% of their ice
cream"*

— Unknown



Spring is in the air!



In December, Victoria and OJ welcomed a baby girl, Kaycee Olivia Rookmin into the world! Charlee is delighted to have a new baby sister and our family was overjoyed at the early Christmas gift and welcome addition to the family!

Oliver spent a couple weeks in December with family in the U.K., making the rounds with Beth on their first official tour as an engaged couple. In January, Soumya took a well-deserved holiday to visit parents, family, and friends in India. Mark and Anna spent some time in Mexico and St Maarten in January, for a little bit of work and play.



Dave with Kaycee on her first visit to the DMA Office

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Dave and Dorinda managed to get away to the Mayan Riviera as a joint birthday gift to each other; enjoying the sun, beach, leisurely workouts, and an abundance of food! Kiran, Amelia, and their girls are hoping the weather holds up for a bit of skiing they have planned during March Break. Maya, age 6, is now the youngest member of the family to earn her yellow belt in karate – and she aspires to get her black belt younger than both grandpa and dad!

With Spring around the corner and the tulips already starting to bloom, we're all looking forward to sunnier days ahead. This winter has left us feeling a little off-center as Canadians, without the usual badgering of heavy snow, ice, cold, and wind.

Market Commentary

Let's enjoy the moment everyone – the US S&P has finally surpassed the highs of early 2022! While retail investors are pouring into riskier assets (maybe best exemplified by the resurgence in Bitcoin) and continuing to bet on rate cuts, the S&P looks vulnerable at these levels. Both earnings growth and the breadth of companies driving US markets will need to expand beyond the '*Magnificent 7*' to support the gains made over the past several months. Stretched valuations and excess enthusiasm are often a setup for weaker future returns, but also provide an opportunity for portfolio managers to consider rebalancing their investment allocation.

Inflation appears to be in a stable downtrend, and markets have priced a first US rate cut in June, with the still-lofty expectation that rates fall by 100 basis points before year end. Between geopolitical risks, Chinese stimulus and a surprisingly strong US economy, demand and inflation could surprise with its persistence and rates could remain elevated longer than many hope. Inflation has trended back within our central bank's target range, but the Bank of Canada continued to hold rates steady during its March 6th announcement as it seeks greater certainty on the inflation outlook. Mortgage refinancing and the ability of homeowners to afford their mortgages weighs significantly on the economic picture in Canada and Equifax noted that mortgage delinquency rates in Ontario and B.C. are up 135% and 62% respectively year-over-year.

Not often discussed is the impact that higher interest rates are having on private debt – particularly commercial real estate, where properties are being refinanced at higher-than-expected rates. This issue is further being exacerbated by the fact that many corporate tenants no longer require the same office footprint as a growing share of their workforce works from home more consistently. The valuation risk to these commercial lease properties could threaten the stability of regional banks in the US as they are some of the biggest financiers in the space, and the magnitude of this threat is difficult to appreciate until delinquencies start occurring or properties are unable to find financing.

Risks and challenges aside, the continued strength in employment and wages is supportive of consumer spending, particularly in the US. We are still very much in the early stages of AI development and the winners thus far have been the companies providing the required hardware or developing software applications. The next wave of investment opportunity will be with the companies that are quick to leverage AI and streamline their own processes, improve efficiencies and ultimately be more profitable. This improved productivity is exactly what can help drive earnings and broaden market performance across other industries.



Kiran, Amelia, Nalina & Maya at the Butterfly Conservatory in Niagara

'Tis the Season...

As financial advisors, our goal of helping you become 'as wealthy as possible' goes beyond investment returns. Tax represents one of the most material challenges in wealth and keeping up with this evolving landscape can be the key to turning a pain point into an opportunity for optimization.

A couple of the bigger changes that may impact clients and worth highlighting:

1. **Work from home expenses:** For the 2023 tax year and beyond, the simplified 'flat rate method' to claim home office expenses implemented during the pandemic is no longer available. Home office expenses are still deductible, but the detailed method and requirements must be adhered to.
2. **Alternative Minimum Tax (AMT):** The calculation methodology has been updated for 2024 and is designed to target high income earners, particularly with respect to capital gains. The tax rate was increased from 15% to 20.5%, the basic AMT exemption amount will increase from \$40,000 to \$173,000 per individual and the income sources included are now broader.
3. **Trust Reporting Requirements:** For tax years ending after 2023, all trusts must now file a T3 Trust Income Tax and Information Return. Where this could add a significant reporting burden, is the vague language used to define what qualifies as a trust. Under the new requirements, a common arrangement that is now considered a trust and is not always established by way of a formal agreement are bare trusts. Some common examples of bare trusts:
 - a. *Adding an adult child to title of a property for estate planning purposes.*
 - b. *Listing parents as owners when purchasing a home to help meet financing requirements.*
 - c. *Use of in-trust-for accounts between parents and minor children.*

Let us know if you are concerned that this may impact you. We'll help determine if you require the assistance of an accountant or legal professional.



Dorinda and David dancing away in Mexico



Oliver representing the Toronto Manchester City Supporters Club during his recent trip to England

Wills and Estate Planning

To iron-clad any financial plan, it is prudent to consider estate planning. A will serves to ensure that money, property, and other assets are distributed quickly, as intended, and tax effectively if the appropriate planning is undertaken. In the case where death happens without a will, intestacy rules apply, and these differ by province, as noted below, in this chart summarized by Mackenzie Investments (RH).

In Ontario, probate fees (estate administration tax) are 1.5% on estate values in excess of \$50,000 and applies to all assets governed by a will. Life insurance policies and registered investment accounts are commonly settled outside of a will when a beneficiary or successor annuitant is named.

Province/territory	Spouse and one child	Spouse and children
Alberta ^(a)	If all children are also children of surviving spouse, entire estate goes to spouse; if any of the children are not also children of the surviving spouse, the spouse gets 50% of the value of the estate, and the children receive the remainder of the estate.	
British Columbia ^(b)	If all children are also children of the surviving spouse, first \$300,000 ⁽⁶⁾ + ½ of the remainder goes to spouse; if any of the children are not also children of the surviving spouse, the first \$150,000 go to the spouse ⁽⁶⁾ , ½ of the balance goes to the spouse, ½ of the balance to the children.	
Manitoba ^(a)	If all children are also children of surviving spouse, entire estate goes to spouse; if any of the children are not also children of surviving spouse, greater of \$50,000 and half of estate goes to spouse ⁽⁶⁾ . Remainder of estate is split ½ and ½ between spouse and children.	
New Brunswick	Marital property of deceased and spouse, to spouse; balance split equally ⁽¹⁾	Marital property of deceased and spouse, to spouse; ½ of the balance to spouse; ½ of the balance to children ⁽¹⁾
Nfld and Labrador	Split equally ⁽¹⁾	½ to spouse; ½ to children ⁽¹⁾
NWT/Nunavut ^(a)	First \$50,000 to spouse, balance split equally ^(1, 2)	First \$50,000 to spouse; ½ balance to spouse, ½ balance to children ^(1, 2)
Nova Scotia ^(c)	First \$50,000 to spouse; balance split equally ⁽¹⁾	First \$50,000 to spouse ⁽²⁾ ; ½ of the balance to spouse; ½ of the balance to children ⁽¹⁾
Ontario	First \$350,000 to spouse; balance split equally ^(1, 4, 7)	First \$350,000 to spouse; ½ of the balance to spouse; ½ of the balance to children ^(1, 4)
Prince Edward Island	Split equally ⁽¹⁾	½ to spouse; ½ to children ⁽¹⁾
Quebec ^(d)	½ to spouse; ½ to child ⁽¹⁾	½ to spouse; ½ to children ⁽¹⁾
Saskatchewan ^(b)	First \$200,000 to spouse; balance split equally ^(1, 7)	First \$200,000 to spouse; ½ of the balance to spouse; ½ of the balance to children ^(1, 7)
	If all children are also children of surviving spouse, entire estate goes to spouse; if any of the children are not also children of the surviving spouse, the spouse gets 50% of the value of the estate, and the children receive the remainder of the estate.	
Yukon ^(a)	First \$75,000 to spouse, balance split equally ⁽¹⁾	First \$75,000 to spouse; ½ balance to spouse, ½ balance to children ⁽¹⁾

To help illustrate, a hypothetical case study: Jane and John are married with 1 adult child. Jane's only asset is a \$1,000,000 RRSP.

Scenario A: Jane has a will, passes away, and John is named as successor annuitant on her RRSP. John can roll Jane's RRSP into his own and defer taxes on the amount with no impact to his existing RRSP contribution room.

Scenario B: Jane has a will, passes away, but does not have a successor annuitant nor beneficiary named on her RRSP account. As the account's assets would need to be distributed in accordance with Jane's will, some or all of this amount could be taxed. In addition, probate of \$14,250 would be applicable @ 1.5% on the \$950,000 in excess of the first \$50,000.

Scenario C: Jane passes away but had neither a will, nor successor annuitant or beneficiary named on her RRSP account. The estate would pay \$14,250 in probate fees and the proceeds are distributed in accordance with the intestacy rules (see chart above). John would receive some proceeds per the intestacy rules and would file an election with the CRA to defer taxation on the amount rolled over to him as a qualifying survivor. However, if the adult child is not a qualifying survivor, this portion would become fully taxable to Jane's estate in the year of death.

We strongly recommend obtaining a professional legal opinion for complex or personalized recommendations. If you'd like a review of your own beneficiary designations, please let us know.

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