

Each fall at Quadrant Private Wealth, we go through a “checklist” of various planning items available to our clients. The goal of this exercise is to draw attention to potential planning opportunities while there is still sufficient time remaining in the year to implement them. The following is a list of planning points, including items specific to the current year and others that should be revisited annually.

Note that this list is not intended to be exhaustive and should not be taken as such. While Quadrant provides planning suggestions for consideration, we work with a client’s professional advisors to complete any legal and accounting work required to implement a plan. We strive to work as part of a cohesive professional team with a goal of identifying and implementing strategies for the benefit of your overall wealth plan.

Special Considerations for 2024

□ Inclusion Rate Increase

- Barring a change in policy by the Department of Finance, the capital gains inclusion rate increased from 50% to 66 ⅔% for all taxpayers but for the following relief:
 - The first \$250k of capital gains triggered personally will still enjoy an inclusion rate of 50%. This limit only applies to amounts triggered after June 24, 2024.
- All capital gains triggered before June 25, 2024 will still enjoy an inclusion rate of 50%.
- If you have a large capital gain that was triggered after June 24th, the use of covered flow through is an excellent way of mitigating some of the increased tax burden. Reach out to your Private Wealth Manager to learn more about our covered flow through opportunities.
- If you will be selling an asset in the next while which has an unrealized capital gain and you have a balance remaining in your annual 50% inclusion rate limit of \$250k for 2024, consideration should be given to triggering the gain in 2024 and using up your limit. Any unused limit amount will **not** carry forward to future years. If you find yourself in this situation, it should be raised to your Private Wealth Manager for discussion.

□ Trust Reporting Rules

- For express trusts with a Dec 31, 2023 year end or later, the Department of Finance introduced new reporting obligations which require the submission of additional information.
- An express trust can be defined as any trust which was intentionally created, including bare trust arrangements (e.g. joint accounts, joint name on title for a property).
- Bare trusts received a last-minute exemption from the new reporting obligations for their Dec 31, 2023 year end and it was announced they will also receive an exemption from filing for their Dec 31, 2024 year end. As such, the earliest they will be required to file will be for their 2025 year-end, due March 31, 2026.
- If you may be a party to a trust arrangement, it is important to raise it to your Private Wealth Manager or your tax planning team so an assessment can be made as to whether any of the exemptions are met. In the absence of an exemption, there will likely be reporting obligations that need to be attended to.

Annual Considerations

□ First Home Savings Account (“FHSA”)

- Introduced in Budget 2023.
- To qualify to open an FHSA, you must be a resident of Canada and at least 18 years of age. In addition, you must be a first-time home buyer, meaning neither you nor your spouse have owned a home in which you lived at any time during the calendar year in which the account is opened, or at any time in the preceding four calendar years.
- The annual contribution limit is \$8,000 per person.
- Annual FHSA contribution room does not begin accruing until an account is opened, so opening an account early will allow you to build up contribution room for a future purchase. Note you can only carryforward one year’s worth of contribution room so the maximum catch-up contribution in any given year will be \$16,000.
- It is important to open an account while you are eligible, even if you won’t use it to purchase a home. Any unused FHSA balances can be transferred into your RRSP without impacting your RRSP contribution room and contributions can still be made after purchasing a qualifying property so long as no withdrawals have been made.
- Quadrant is now able to open FHSA’s for our clients. If eligible and interested in exploring this further, reach out to your Private Wealth Manager to start the discussion.

□ TFSA Contribution

- The contribution limit in 2024 is \$7,000. End of year is a great time to check for any unused contribution room.

□ RESP Contribution Deadline

- December 31, 2024.
- The government will match a portion of what is contributed and those contributions can grow tax free.

□ RRSP Contribution Deadline

- March 1, 2025.

□ RRSP Conversion Deadline

- All RRSPs must be converted to a retirement income vehicle, such as a RRIF, before the end of the year in which you turn 71. If you turned 71 in 2024, this should be triggered before December to give your professional team time to act.

□ LIRA/LIF

- Quadrant Private Wealth annually monitors LIRA/LIF unlocking for clients at age 65.
- In Manitoba, individuals holding a Locked-In Retirement Account (LIRA) or Life Income Fund (LIF) are eligible for full unlocking of their funds once they reach the age of 65. At this age, these accounts can be converted into an RRSP, RRIF, or other non-locked accounts. This allows full access to retirement savings and provides flexibility in how to manage and use these funds.

□ Federal Pension Tax Credit

- If you are age 65 or older and are not already receiving pension income, consideration should be given to triggering up to \$2,000 of pension income in order to utilize the federal pension tax credit. A lesser amount is also available as a provincial tax credit with the amount varying by province.

□ Tax Instalments

- Ensure all required personal and corporate tax instalments are paid before year end to avoid interest charges.

□ Donations – Cash & Securities In-Kind

- Make a difference and take advantage of tax credits by giving to charity.
- Consider covered flow through as a way to reduce your cost-to-donate.
- The deadline for donations of appreciated securities to GiftPact is November 27, 2024.
- Deadlines for donations of cash and securities-in-kind will vary depending on provider, but generally fall in late November / early December. A good rule of thumb is to make all donations before the end of November each year.

□ GiftPact Donor Advised Fund (“DAF”) Distributions

- Distributions from your DAF should be requested as soon as possible to avoid the year end crunch.
- Given anticipated volumes, the deadline to make distributions from your GiftPact DAF to other charities will be November 27, 2024. All requests received prior to this date will be distributed by December 31st. Any requests received after November 27th will be processed on a best-efforts basis.
- Reach out to info@giftpact.com or your Private Wealth Manager for more information about GiftPact.

□ Covered Flow Through - Personal

- If you had a taxable event in 2024 which generated taxable income over \$250k, you may benefit from participating in a personal covered flow through transaction.
- Two strategies:
 - Tax Reduction – Reduce your overall taxation.
 - Donation – Generate a donation credit for your DAF at a 5% after-tax cost (compared to a ~50% after-tax cost for cash donations).
- There is a learning curve for understanding and participating in a personal covered flow through deal. If interested in learning more and potentially participating in a future deal, it is important to reach out now to start the process. Reach out to your Private Wealth Manager for more information.

□ Spousal Loans

- Interest owing on spousal loans must be paid prior to January 30th of the following year. Consider having this paid in advance as it is very important not to miss this deadline.

Note specifically that it is January 30th and not the end of January (the 31st). One missed payment means the original plan may no longer function as intended with attribution applying from that date forward.

- Do you have an outstanding spousal loan at the prescribed rate? If so, consider paying the interest now to get ahead of the issue.

□ **Investment Management**

- For planning purposes, QPW should be advised of any large expenditures expected over the next year that may result in a portfolio withdrawal.
- Christmas distributions - Plan in advance if cash will be needed for the holiday season.

□ **Wills and Estates**

- Though estate planning is not exactly a favorite holiday topic, this time of year can be a good occasion to reflect on one's Will and have discussions with gathered family members.
- An example of an important family discussion topic related to a client's estate plan is family cottage succession.
- Snowbirds should ensure their Estate Documents are up to date before fleeing winter for warmer climates. This is a good time to review Wills, Power of Attorneys and Personal/Health Care Directives for any changes you may wish to make. This is especially important if there are medical conditions that could become serious quickly, or if it has been more than 5 years since your estate documents were prepared.
- Ensure U.S. bank accounts and vehicle registrations are jointly held (potential to avoid probate).

Insurance Considerations

□ **Life Insurance**

- Similar to Wills & Estates, end of year is a good time to reflect and review your life insurance needs. You may have been recently married or had a child (or grandchild) and would like to ensure your dependents have appropriate coverage. A change in health is another good reason to review your coverage.
- It is also important to review beneficiaries on any policies to ensure they are still appropriate.

□ **Property Insurance**

- While Quadrant does not provide property insurance services or advice, we have seen circumstances where clients have experienced an event but received a settlement for damages instead of replacement cost. This can lead to situations where a substantial portion of the renovation or rebuild is not covered by your current policy.
- It is important to review your property insurance policy annually to ensure your coverage is appropriate (home, cottage, jewelry, art, etc.) and not simply what is cheapest.

□ **Mortgage Insurance**

- Mortgage insurance purchased through your lender is more costly and claims can be denied.
- The insurance will only be valid as long as you hold the mortgage with the same lender and the amount will decline in line with the mortgage amount, but premiums will stay the same.
- Term insurance is often a better option. This can be paid out to a named beneficiary, not just to the bank. Contact Quadrant Estate & Insurance Services or your Private Wealth Manager for more information.

□ **Travel Insurance**

- Consider purchasing travel insurance as soon as you have booked any upcoming trips. Emergencies while travelling can happen to anyone regardless of age or length of trip.

□ **Disability Insurance**

- Disability insurance can serve as an income replacement for up to 66% of your salary (tax free) should you suffer an unexpected illness or injury that requires you to be off work for an extended period of time. Group benefits with an employer have salary maximums for coverage (maximum amounts depend on the insurance carrier). You should double check with your HR department to see if you have adequate coverage. Those who are self employed or incorporated and do not have group plans should ensure appropriate coverage is obtained to protect against loss of income.
- Disability Buy Sell coverage is another consideration for partnerships & corporations of 2 or more principals. This coverage pays out should a principal be away from work unexpectedly, with the triggering criteria being they are unable to perform the duties essential to their occupation and are receiving regular and personal care from a physician. There is flexibility to receive funds as a lump sum payment or as monthly installments over a maximum of a 10-year period.
- Business Overhead Expense is a policy that is designed to reimburse business owners for fixed office expenses during a period of total or partial disability. This will allow the business to function in an owner's absence.

□ **Critical Illness**

- Surviving a major illness or major surgery is not uncommon. A question to ask yourself is can you afford to take time off for recovery? Critical illness insurance provides a lump sum tax-free payment that can be used for whatever is needed during this time. This includes renovations on a house, out of country medical treatments or even a victory trip to unwind before returning to work.

As with all insurance products, it is important to apply when you are healthy to increase the chance of being eligible and ensure premiums reflect a healthy individual. Critical illness insurance contains an option to purchase a policy "rider" which triggers a refund of premiums if you do not suffer a critical illness.

Final Words

Proactive Wealth Planning requires time for your professional team to review and discuss your requests, and to allow time to pivot if there is a better option. We encourage everyone to review the above points as they relate to your personal and unique circumstance. At Quadrant Private Wealth, we review these items annually and actively seek out improvements for our clients' overall financial plan.

Please contact your Private Wealth Manager if you wish to discuss any of these end-of-year topics.

About Us

Disciplined. Compassionate. Effective.

Quadrant Private Wealth is an independent, comprehensive, integrated wealth management firm committed to your financial well-being and peace of mind. We take the time to understand your complete financial picture. We tie all of your information together, including tax planning, to paint a picture of what your financial future could look like. And we aim to earn your complete confidence in the process.

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