

Wed. June 5, 2024



Welcome!  
We will begin at 7:00pm

# ***Cottage Succession Planning TAX STRATEGIES***

# Land Acknowledgement



# Zoom Tech Overview

**Michelle  
Lewin**

FOCA  
Manager of  
Communications &  
Development

# Notes:

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## 1. You are muted

> type questions for the speaker into the Zoom “Chat” box during the presentation

## 2. Slides (not the recording) will be shared in a post-event email

> purchase digital access to this recording and others in the series. See:

<https://foca.on.ca/cottage-succession/>

**Title #1 – Cottage Succession Planning “A” to “Z”** – this is the recommended introductory session that provides an overview of considerations for starting your cottage succession plan (recorded 2021)

**Title #2 – Cottage Sharing Agreements** – an in-depth look at considerations for creating the Cottage Sharing Agreement, one important step in your cottage succession process (recorded 2016)

**Title #3 – Targeting Tax** – an in-depth session explaining capital gains tax, and tips to reduce or defer it (recorded 2020)

**Title #4 – Trusting the Cottage** – an in-depth look at trust techniques (recorded in 2021)

**Title #5 – Seize the Day or Bide your Time?** – an in-depth look at choosing when to transfer the cottage to the kids (recorded in 2023)



# FOCA is:

# the Federation of Ontario Cottagers' Associations

# Inform. Protect. Unite.

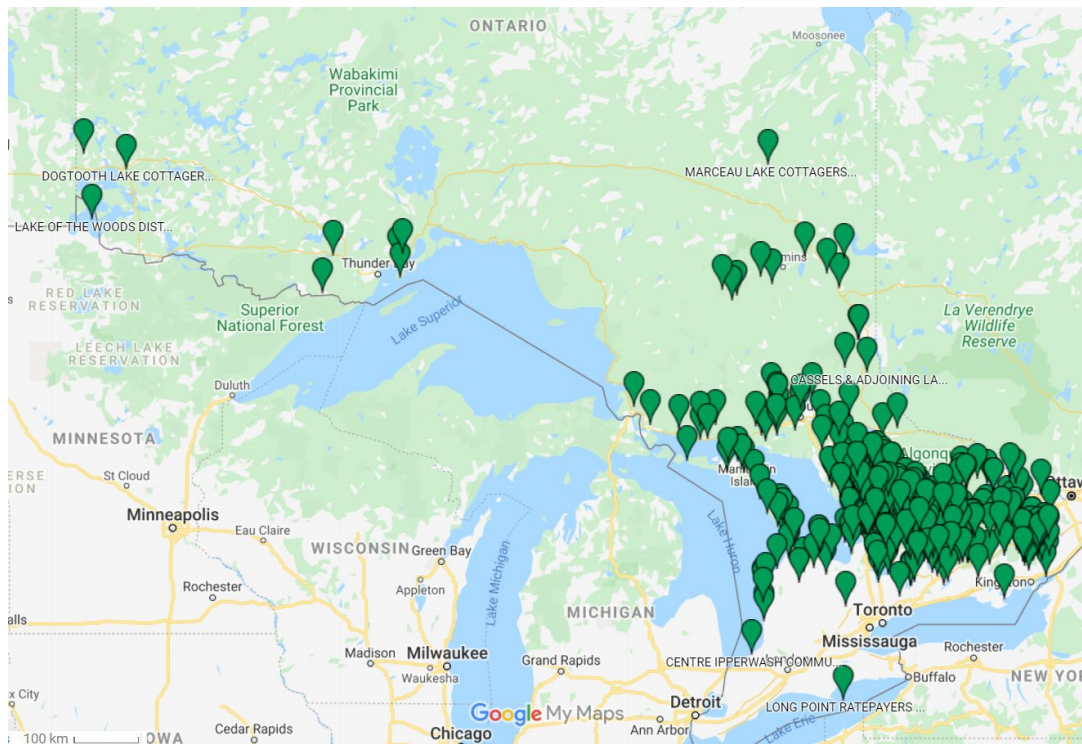
## 60+ years

**525+** associations

**50,000+** families

## If you're in a Member Association,

***YOU* are a  
FOCA member!**



**[foca.on.ca/list-of-associations/](https://foca.on.ca/list-of-associations/)**

# FOCA's Work on behalf of Waterfront Ontario



Promoting Healthy Lands,  
Lakes and Rivers



Serving Lake and  
Road Associations



Advocating for  
Responsive Government



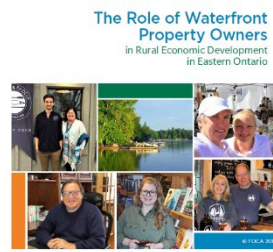
Championing Affordable  
and Safe Rural Living



Building Organizational Capacity  
& Strategic Partnerships



Fostering Community  
in Rural Ontario



[foca.on.ca/about/](https://foca.on.ca/about/)

# FOCA Member Benefits include...

Key service offerings for  
your **Association:**  
[foca.on.ca/association-bmps/](https://foca.on.ca/association-bmps/)

Plus, offers & discounts for  
all your **Member families:**  
[foca.on.ca/benefits/](https://foca.on.ca/benefits/)

**CadeAssociates**  
Insurance Brokers Limited



**ROGERS**™ Exclusive RPP Offers for  
FOCA Members!

Need your Member Web Login?

Email us: [info@foca.on.ca](mailto:info@foca.on.ca)

*Do your fellow members know about  
all their FOCA member benefits?*



# FOCA Events – Member Pricing



**Cottage Succession A to Z**  
with estate lawyer  
Peter Lillico



[foca.on.ca/  
cottage-succession/](https://foca.on.ca/cottage-succession/)



[foca.on.ca/events/](https://foca.on.ca/events/)







# The Value of FOCA:

## Advocacy, Communication, Resources



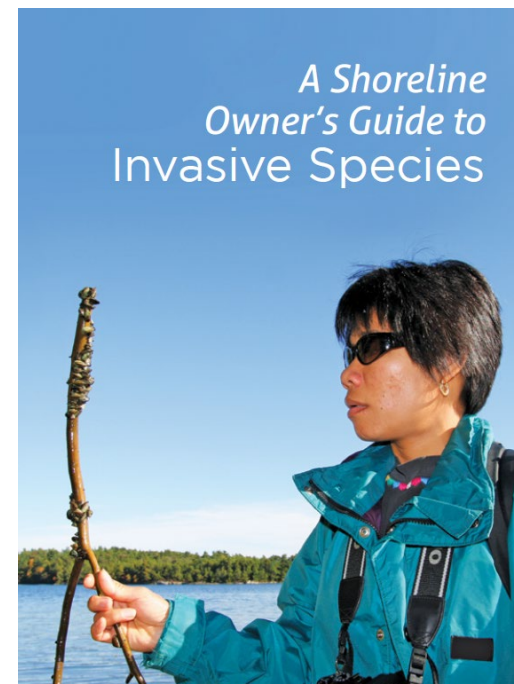
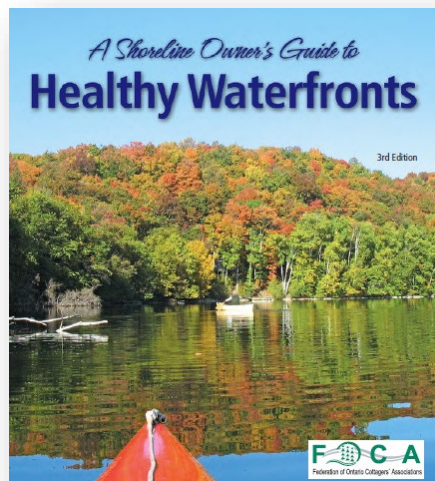
### WHAT THE LAKE PARTNER PROGRAM MEASURES

Total Phosphorus (TP)	Water clarity	Calcium (since 2008)	Chloride (since 2015)
<ul style="list-style-type: none"> <li>Important nutrient controlling the growth of algae in Ontario Lakes</li> </ul>	<ul style="list-style-type: none"> <li>Estimated using a Secchi Disk</li> </ul>	<ul style="list-style-type: none"> <li>Essential element that is required by all living organisms</li> </ul>	<ul style="list-style-type: none"> <li>There have been increases in chloride levels across the province due to road salt</li> </ul>
			



# Print & Video Publications

signs, brochures, reports...



**FOCA**  
Federation of Ontario Cottagers' Associations



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FOCA Cottage Country Septic  
System Video

[foca.on.ca/](https://foca.on.ca/)

[publications-videos/](https://foca.on.ca/publications-videos/)



# Welcome to Cottage Country!

## Welcome to Cottage Country! – from FOCA

You likely came here for the same reasons we do: to escape the hustle & bustle of urban life, and enjoy the great outdoors. You're in the right place. We have fresh air, clean and safe lakes, abundant wildlife, starry skies, and so much more. **Here's how we all keep it that way, and why it matters.** We hope we can count on you to help us!

### Enjoy your time in cottage country.

Be aware that pets, excessive noise, and lights can interfere with relaxation or star gazing, or neighbouring kids' bedtimes.

**Septic systems** are kept in good working order by limiting water use and keeping chemicals and non-degradable items out. Overloading your cottage (and your septic system) with guests can wreck the balance.

**Garbage** and recycling in cottage country is not usually picked up at "curbside" but needs to be dropped off at one of the local landfills. Don't leave your mess for others to clean up.

**Phosphate free** products are needed for washing and cleaning. Also, we never wash in the lake. Don't drink untreated lake water!

**Food** is not left outside overnight and **BBQ's** are cleaned after use, so animals are not attracted to the leftovers.

**Boats** used in other lakes or rivers are cleaned, drained and dried before launching in our lake. Bait buckets and live bait are never emptied into the lake.

**Campfires** are enjoyed safely. The status of the Forest Fire danger is posted on area roads.

Remember that **noise** travels further on the lake than you think! We all unwind in different ways, so let's all respect that, and find ways to share this beautiful place.

Letting the system break biodegradable waste down without overloading it limits the possibility of harmful bacteria, phosphorous, and nitrogen entering the lake from septic system failure (smelly, harmful and expensive).

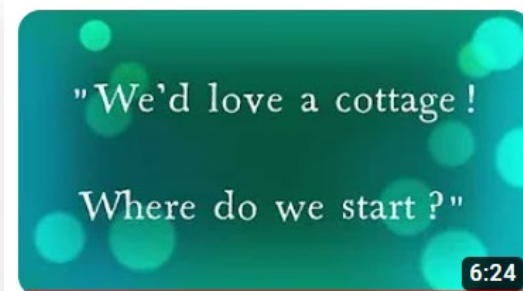
Garbage left overnight can be attacked by animals. **Bears** will return to the same spot where they found "food" for up to 5 years!

Phosphates and other harmful chemicals make their way into the lake promoting excess plant and **algae** growth.

Wildlife and cottagers live together safely when they respect each other's boundaries. Only view wildlife from a safe distance. Don't let dogs roam.

Why? **Invasive species** such as zebra mussels can enter the lake, causing disease and damage to native species. Don't be the reason for spreading invasives!

The closest fire station is so far away that a spreading fire poses danger to everyone. Never

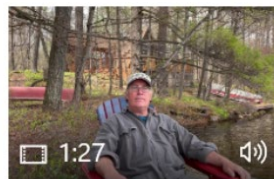


Welcome to Cottage Country! Thinking about buying a cottage? Start here.

2.1K views • 2 years ago

[foca.on.ca/cottage/](https://foca.on.ca/cottage/)

## Video resources:

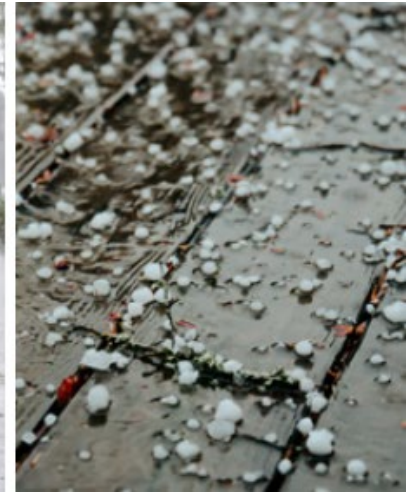


New to cottage country, or thinking about buying a cottage? **Start here!**

[Watch this video](#) (online; 7 mins) for tips from FOCA about choosing an area, finding the perfect cottage or building

your own, learning about your property, and connecting with the local lake association.

# Family & Community Emergency Preparedness



[foca.on.ca/  
emergency-preparedness/](https://foca.on.ca/emergency-preparedness/)



# Ongoing Programs



[foca.on.ca/carps/](https://foca.on.ca/carps/)



[foca.on.ca/phragmites/](https://foca.on.ca/phragmites/)



[foca.on.ca/isampleon/](https://foca.on.ca/isampleon/)



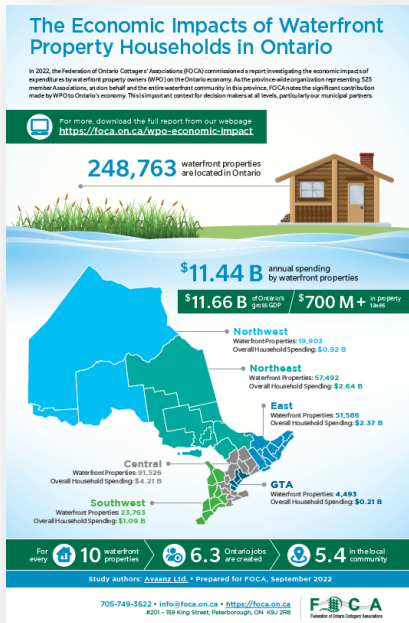
[foca.on.ca/  
lake-partner-program/](https://foca.on.ca/lake-partner-program/)



**Cottage  
Succession  
A to Z**  
with estate lawyer  
Peter Lillico



[foca.on.ca/cottage-succession/](https://foca.on.ca/cottage-succession/)



# The Value of FOCA: Advocacy, Voice, Network

## HOT TOPIC: Capital Gains Tax

[foca.on.ca/  
property-taxation-assessment/](https://foca.on.ca/property-taxation-assessment/)

### Latest News

On April 16, 2024, Finance Minister Chrystia Freeland tabled a 2024 federal budget including an announcement that the **capital gains tax** on amounts over \$250,000 will rise on or after June 25, 2024. This will negatively impact many FOCA members who sell or transfer ownership of their cottages to the next generation. **FOCA has sent a letter to the government in opposition to this development.** [Download FOCA's letter](#) (PDF, 1 page).

### Your Role



**WRITE YOUR M.P.** – FOCA encourages you to [download a template letter](#) (Word document) that you can customize to [write to your own MP](#), explaining the negative impact of this development on your family. **PLEASE** copy FOCA on your letter (cc. [communications@foca.on.ca](mailto:communications@foca.on.ca)), consider a **donation** below to support our work, and see **additional news** and related media coverage further down this webpage.



Feature speaker:  
**Peter Lillico**  
of Lillico Bazuk Galloway Halka

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*Cottage Succession Planning*  
***TAX STRATEGIES***



# Cottages and taxes

Cottages are great, taxes are not

We all want to pass the cottage on to the kids, but it's seldom smooth sailing

Without awareness of the tax environment, it's all too easy to run into hidden rocks in the succession planning process

# Cottages and taxes

On April 16, 2024, the federal government announced a new budget that presented the most substantial changes to capital gains tax affecting cottagers in a generation

It comes into effect **June 25, 2024**

# Cottages and taxes

This presentation is to:

- Let cottagers know more about the substantial tax increases that compound the challenges of keeping the family cottage in your own family
- Recommend approaches to avoid, defer, or minimize the impact of the new capital gains tax structure

# Cottages and taxes

## How is it determined?

Fair market value (FMV)

Less cost of acquisition (Cost base)

Plus capital improvements (ACB)

= Total capital gain



# Capital gains

## Current tax calculation

- A     50% of total capital gain  
added to income
- B     Multiplied by marginal tax rate
- C     = Tax payable

# Capital gains

Cottage purchase price **\$150,000**

Capital improvements **\$50,000**

Adjusted cost base **\$200,000**

# Capital gains

Fair market value	\$800,000
Less ACB	<u>\$200,000</u>
Total capital gain	\$600,000



# Capital gains

Total capital gain      \$600,000

50% added to income \$300,000

x marginal tax rate of 50%

**TAX PAYABLE \$150,000**

# Capital gains

## NEW BUDGET tax calculation

- A First \$250,000 of capital gain included in income at 50%
- B Remaining capital gain included in income at 67%
- C Multiplied by marginal tax rate
- D = Tax payable

# Capital gains

## A One-owner \$600K gain

- After June 25 tax     **\$179,750**
  - Before June 25 tax   **\$150,000**
- ADDITIONAL TAX     **\$29,750**



# Tax illustrations

## B Two-owners \$600K gain

- After June 25 tax     \$158,750
- Before June 25 tax   \$150,000

ADDITIONAL TAX       **\$8,750**

# Tax illustrations

## C Two-owners \$800K gain

- **After June 25 tax**     \$225,500
  - **Before June 25 tax**   \$200,000
- ADDITIONAL TAX**         **\$25,500**

# Tax illustrations

## D One-owner \$800K gain

- After June 25 tax     \$246,750
  - Before June 25 tax   \$200,000
- ADDITIONAL TAX     **\$46,750**



# Next steps

1. Estimate your capital gain
2. If less than \$250,000 (one-owner) or \$500,000 (two-owners), then

***no urgency to considering tax planning steps now***

# Next steps

- If ***MORE*** than \$250,000 (one-owner) or \$500,000 (two-owners), **AND** you can pay tax next year, then consider starting the transition now to reduce tax later)
- **Option to transfer in two stages** over two years to double the amount taxed at low inclusion rate and spread tax payment over two calendar years.

# Tax-funding options

- Parents write a cheque
- Children contribute
- Line of Credit/Mortgage



# Option A

## TRANSFER TO CHILDREN BY DEED

- ✓ Tax reduction
- ✓ If capital gain is more than \$250,000 (single owner) or \$500,000 (two owners) then spread transfer over two tax years
- x No restrictions on transfer outside family
- x No protections against divorce or creditor claims

# Option B

## **TRANSFER TO CHILDREN BY DEED + COTTAGE SUCCESSION AGREEMENT**

- No sale during parents' lifetimes without their consent
- No sale after parents' passing unless unanimous agreement
- No forced sale through courts
- Exit strategies
- Dispute resolution provisions

# Option B

**TRANSFER TO CHILDREN BY DEED**

**+ COTTAGE SUCCESSION AGREEMENT**

- ✓ Tax reduction
- ✓ Restrictions on transfer, exit strategies, and dispute resolution
- x No protections against divorce or creditor claims

# Option C

## **TRANSFER TO CHILDREN BY DEED + SPRINKLING COTTAGE TRUST**

- ✓ Tax reduction
- ✓ Restrictions on transfer etc.
- ✓ Protections against divorce or creditor claims
- ✓ Capital gains tax “Generation-Skipping”



# Cottage trust

- Trustees = children
- Beneficiaries = family members
- Pay tax on transfer to trust
- 21 years of asset protection
- After 21 years:
  - To children—no capital gains tax
  - To grandchildren—no capital tax (generation-skipping)

# Questions?

**Peter Lillico**

Lillico Bazuk Galloway Halka  
Barristers & Solicitors

**phone: 705-743-3577**

**email: [plillico@lbghlaw.com](mailto:plillico@lbghlaw.com)**

**website: [www.lbghlaw.com](http://www.lbghlaw.com)**



**phone: 705-749-3622**

**email: [info@foca.on.ca](mailto:info@foca.on.ca)**

**website: <https://foca.on.ca>**

*Thanks for joining us today.*

# Quick Poll...

## Cottage Succession Topics:

**Which topic would you like  
FOCA and Peter Lillico  
to feature next?**

# Our next Cottage Succession event:



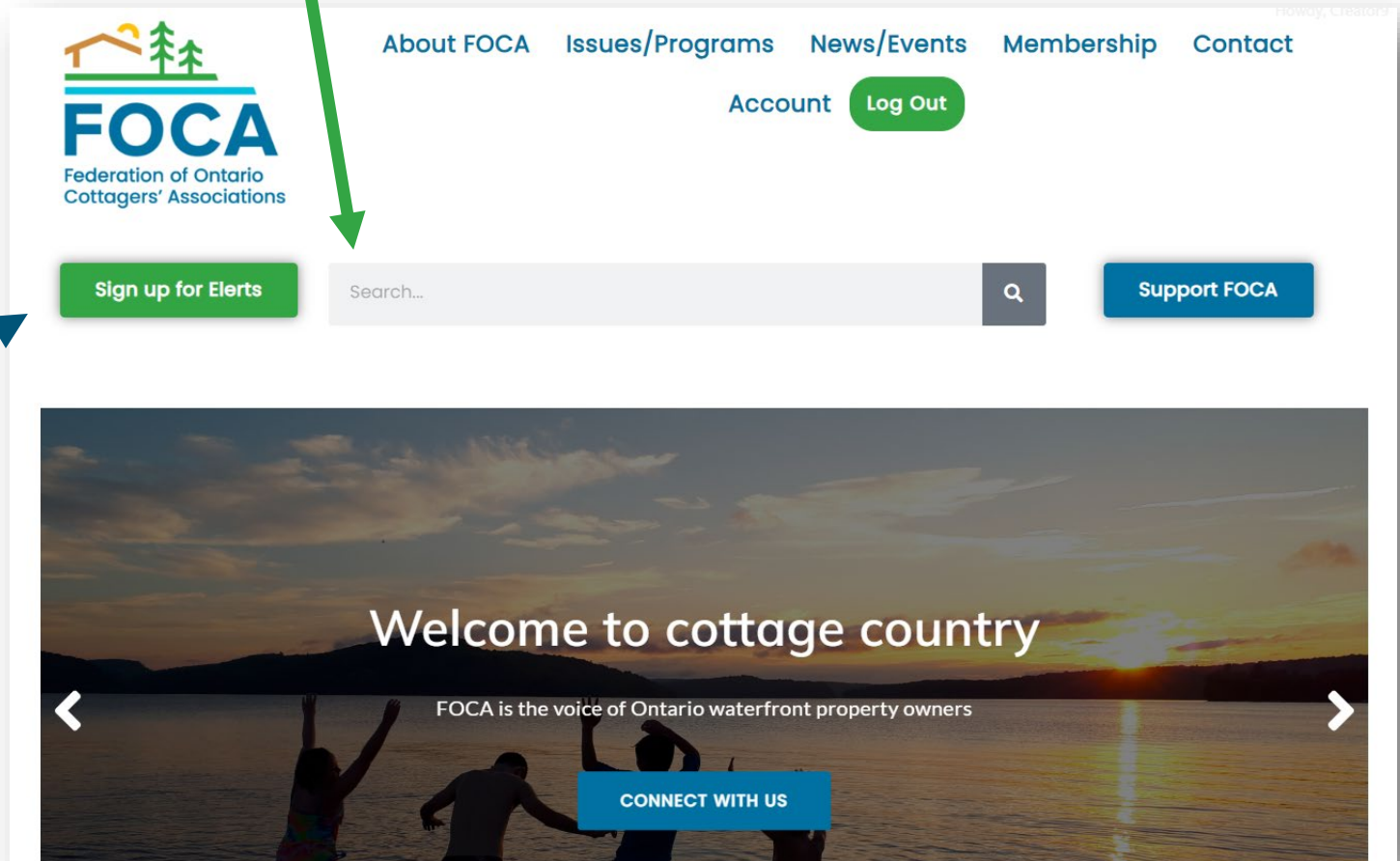
**Wed. October 9, 2024**

7:00-8:30pm

**[REGISTER HERE](#)**



Got questions? Search here: **foca.on.ca**



While you're  
there, join  
over **20,000**  
**FOCA Elerst**  
**subscribers!**

# For waterfront Ontario

## Who Supports FOCA?

Cottage/Camp/Lake/Road Associations & individuals like you, who:

- ✓ Treasure family time in cottage country
- ✓ Care about clean and safe lakes
- ✓ Are concerned about affordability

By supporting FOCA, you help us in our work to protect thriving and sustainable waterfronts across Ontario. You also access many **benefits.**

## Friend of FOCA



“**Friends of FOCA**” are our valued annual supporters.

**Please share your extra support if you are able:**

**[foca.on.ca/friend](https://foca.on.ca/friend)**

# As you exit...

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You'll be taken to the Event Survey.

Tomorrow you'll receive an email with:

1. > a PDF copy of these slides
2. > the presenter's contact information for personal follow-up about your remaining questions.





**Thank you!**