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What happens to TFSA when you are gone?

Any increase in the fair market value of the TFSA investments, from the date of death to the date of transfer, is paid to the spouse beneficiary and will be taxed as ordinary income in the spouse tax return. When an individual pass away without spouse or common law partner, the TFSA is deemed to be collapsed on the date of death and the balance is most likely transferred to the named beneficiary tax free. However, the named beneficiary must have TFSA room to accommodate the fair market value (FMV) of TFSA transfer. The situation gets tricky when named beneficiary does not have TFSA room in his/her account resulting a significant portion of TFSA will be taken away by the taxman. For example, the named beneficiary has $25,000 TFSA room but the fair market value (FMV) of the transfer (from deceased person's TFSA) was $50,000, in this situation the beneficiary has to pay tax on $25,000. The tax liability can be significant depending upon the income bracket of the beneficiary.

Importance of corporate minutes' book

An incorporated company is not legally required to maintain minute book but they are legally required to keep corporate records. However, following are good reasons to maintain corporate minute book:

1. A company has greater chances of getting loan if minute book is being maintained because financial institutions normally look for up-to-date minute book to make sure corporation is authorized to borrow funds. Additionally, properly maintained minute book give a comfort to the lender as well as impression that business is well organized,
2. A prospective buyer of your business will look for corporation's minute book to understand business activities and information about stakeholders,
3. CRA tax auditor normally asks for corporation's minute book to look for supporting documents/information for the subject matter they are auditing. CRA can deny dividends recorded in the books if there is no director's resolution recorded in the minute book resulting unintended tax consequences,

4. A properly maintained minute book will help you remember important milestones/decisions taken by the corporation over the years.

Spending a small amount for maintaining minute books will go a long way.

It happened again!
Few months ago we predicted interest rate hike and sure enough Bank of Canada raised its benchmark interest rate by another quarter point resulting in the bank rate at 1.75%. This is the fifth time since last summer, that central bank felt the need to raise the interest rate. The bank also hinted that future rate hikes are also on the horizon since Bank of Canada expects that household spending will increase and our economy will continue to perform. People with variable mortgage should take note of interest rate upward movement and plan to develop a strategy to minimize financial stress. Doing your own stress test is a good idea to see how your household expenses will impact if interest rate increases another 1.0% in the coming months. People on fixed mortgage should also plan ahead. What if your mortgage is up for renewal in near future and Bank of Canada's benchmark rate goes up to 2.75%? Higher interest rate will push your dream of being mortgage free further away. You may want to start saving now to pay down mortgage principal as much as possible at the time of upcoming renewal. This will offset some of your interest hike impact and your mortgage free dream will still be on track.

If you have any questions, please don't hesitate to contact us. We are always on your side!