

# Wealth Management Strategies

Presented by:

CAPITAL ESTATE PLANNING

## Cottage Succession Planning

**You've worked hard to build and maintain a cottage or recreation property you are proud of. And you want to ensure it remains in your family for years to come.**

### Your Situation

Your cottage is considered a capital asset. Upon death, Revenue Canada automatically assumes that you have rolled over your capital assets to your spouse. If you have no spouse, you are deemed to have disposed of these capital assets at fair market value and Revenue Canada expects its share of taxes owing. If cash isn't available, your family may have to sell the cottage at a "fire-sale" price to pay these taxes. Therefore, you need to minimize the amount of tax payable.

### Your Strategy

Invest in a Legacy Fund, and take advantage of its joint-last-to-die option. *Here's how it works:*

Set up a Legacy Fund plan. Choose the joint-last-to-die option with proceeds payable at the death of the second spouse, when taxes are due. When the second spouse dies, the life insurance proceeds pay the tax bill and other debts, providing your children or named beneficiary with much needed funds. The cottage remains safe, available for your children or other family members to enjoy for years to come.

*Consider this example:*

Joe and Caroline are a married couple who are both at age 50. The cottage they own has belonged to the family for many years, enjoyed by three generations. The projected capital gains tax on the cottage is \$100,000. Joe and Caroline realize that after they die, their children cannot afford to pay Revenue Canada and keep the cottage. So, to minimize the tax, they invest in a Legacy Fund for the amount of the tax liability. In this case, they would make annual deposits for as little as 1% per year of the family's eventual tax bill, saving the cottage in the process.

*It's never too late:*

It's never too late for life insurance. Many people believe that individuals must be in perfect health to qualify for coverage. A significant benefit of joint-last-to-die coverage is that both individuals do not have to be healthy to qualify, and unless one of the lives is completely uninsurable, the deposits are significantly less than a comparable single life policy



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