



# Snapshots™

## PARENTHOOD:

### ESTATE PLANNING, LIFE INSURANCE AND TAX CHANGES

THE BIRTH OF YOUR BABY IS THE IDEAL TIME TO REVIEW YOUR INSURANCE POLICIES, YOUR WILL AND POWER OF ATTORNEY AND HOW YOUR TAX SITUATION WILL CHANGE.

It is now even more important to ensure your loved ones are well looked after if anything should happen to you. Here are a few topics to consider helping you prepare for some of the unexpected events that can happen in life.

#### Life Insurance

If something happened to you tomorrow, how much financial assistance would your family need to manage everyday living expenses – and for how long? Let's discuss how much coverage you need and what type of coverage is best, as well as ways to save on your insurance costs. For example, if you and your spouse purchase policies together you can save significantly, and some plans will discount your costs by up to 15% if you pay annually instead of monthly. Remember that your premiums are lower when you're younger, as statistically you're generally healthier and will likely live a long time. If you are a non-smoker, you can also ask for 'preferred' rates, which may also reduce your premiums.

#### Disability Insurance

An employer often offers about two-thirds of your pre-tax employment income as part of a basic disability insurance package. In fact, according to *Today's Parent* magazine, a 35-year-old woman is seven times more likely to suffer long-term disability than die before she turns 65. The last thing you want to worry about if you are sick is your finances. If you do not have disability insurance through your employer, ask me for a recommendation.

#### Critical Illness Insurance

This is a type of insurance protection that pays you a lump sum if you are diagnosed with a serious disease like cancer, or have a stroke or heart attack. This lump sum can help cover costs of treatment or child care or household costs as you look after your health.

#### Update Your Wills and Powers of Attorney

It is always important to keep your Will and Power of Attorney up-to-date with changes in your life – especially the birth of a new baby. When you have a legal Will, you control who receives your assets and money. Without a Will, the government decides who gets what. It's also important to name a guardian for your child in your Will. When choosing a guardian consider these issues:

- Will they be comfortable with the emotional and financial responsibilities of raising your children?
- What are their attitudes on how to bring up children – and are they very different from yours?
- How do they get along with the rest of your family, who will likely want to remain involved with your children and continue spending time with them?
- If you are thinking of a married couple, how old are they? If something happens to them, who will be the backup guardians for your children? What will happen if they divorce? It may be better to appoint one as the primary guardian.

For a more extensive list of things to consider before making your Will, refer to this [Will planning checklist](#). A Will is the most important aspect of your estate plan. Here is an [estate planning checklist](#) that provides insight to the areas you should give attention to when planning your estate.

Here is a link to a basic Will: [Last Will and Testament](#)

A lawyer should be consulted when a Will is being considered. There are legal and family issues that need to be addressed if this route is taken.

Use this [personal record keeper](#) to gather important information that you can share with your loved ones including your executor or executrix.

## Filing Your Tax Return

According to a recent study, having kids in Canada doesn't save you much money in taxes. In 2004, couples with family incomes of \$40,000 and two kids saved 9% in taxes because of tax implications of supporting children. However, if your income was over \$80,000, the difference was only 1% and if your family income was over \$120,000, there is no tax break for having a child.

However, there are some ways that your tax returns will change. Let's discuss which tax breaks you can benefit from.

## Child Care Expenses Deduction

Effective 2015, this deduction allows parents with children under the age of 16 to reduce taxable income by the amount expended to pay for child care in order to earn employment or business income as well as pursue education and perform research. While this measure has been in place for many years, the new proposal will increase the allowable limit as follows:

The deduction will be raised from \$7,000 to \$8,000 per child under seven years of age at the end of the tax year and from \$4,000 to \$5,000 for children age 7 to 16 at the end of the tax year. For children who meet the definition of disability, the limit will be raised from \$10,000 to \$11,000. Talk to your advisor about the rules and how this deduction can benefit your family.

## Child Fitness Credit

Beginning with the 2016 tax year, the Federal Fitness Credit will be decreased to \$500 per child enrolled in eligible fitness activities. Additionally, beginning in 2017, this tax credit will be eliminated.

Five provinces (BC, MB, NS, ON, SK) and one territory (YT) also offer similar credits for provincial/territorial tax purposes. Your advisor can provide further details.

## Children's Arts Tax Credit

As with the Children's Fitness Credit, this non-refundable credit will probably not be used for an infant but in later years this credit will serve to reduce the after-tax effect of expenses relating to artistic, musical or cultural programs. Up to \$500 can be claimed per year per child for eligible programs beginning in the 2011 tax year. This will serve to reduce taxes payable by \$75 (\$500 X 15%). These amounts will be entered at Line 370 of the T1 General Tax Form. I can provide you with additional information and details.

Four provinces (BC, MB, ON, SK) also provide credits for provincial tax purposes.

I can provide you with additional information on the various tax and insurance issues.

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