Does Your Wealth Plan Need a Tune-up?

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There's not a single person who can't benefit from making a few tweaks to their life. Whether it's a meditation expert sharing ideas on how to de-stress or a tip from a golf pro to help correct a swing, making some small, or even larger, adjustments can go a long way. It's the same for financial issues – a little more saved here, an asset allocation change there – could help ensure you're doing the most with your money.

But what are some of the key areas to button up? We've identified seven spots you may not typically have on your radar – tax, insurance, estate planning, retirement and more – as places to start.

1. **Take an active approach**
   We all know the saying, "If it ain't broke, don't fix it." With markets mostly climbing for the better part of the last decade, investors could largely adhere to that approach. With markets declining in 2022, we've now entered a phase where you may need to scrutinize your holdings a bit more to manage risk and seize opportunities. While your overall allocation to stocks, bonds and other asset classes may not need to change, some investors – in consultation with their financial professional – might want to get more defensive, while others may want to get more aggressive depending on where they think the market may be headed in 2023. Now may be the time to revisit your holdings and tweak them accordingly.

2. **Transform a loss into a win**
   Markets have been volatile, which means many investors may have experienced declines in their portfolios in 2022. Instead of selling declining shares at a loss (for those holding equities in non-registered accounts), give your fallen securities to charity. It's a strategy many people use in good times – donating stock to receive a tax receipt on the full value of the shares and avoid having to pay capital gains tax – but it works in tougher times, too. The donation will generate a tax receipt for the fair market value of those shares at the time of the gift, and any capital loss realized can then be used to offset future capital gains. An unused net loss can be carried forward indefinitely; however, you need to pay attention to the superficial loss rules.

3. **Mind your borrowing costs**
   One of the best ways to improve your financial standing is to pay off any growing debts that may be eating away at your net worth. With interest rates at their highest level since early 2008, it's a good idea to make sure any amounts owing aren't impacting your financial plans. Consider targeting now-rising variable-rate debt (such as variable-rate mortgages and lines of credit) and high-interest debt first, particularly personal debts that are not deductible for tax purposes. If you have an investment loan, make sure the investment returns match or exceed the interest you're paying on your debt.

4. **Don't overlook the tax implications of business succession**
   If you run your own business, there's a good chance you haven't yet developed a succession plan. According to a PwC study, just 34% of U.S. family businesses have one in place.[1] While it's important to develop a plan to help you preserve the company's value when you're ready to pass the torch, business succession can also trigger a significant tax liability on the proceeds of a sale. Between estate freezes, deferred taxes and lifetime capital gains exemptions, there are many different succession planning approaches to explore to help ease your tax burden. Consult a tax expert early to help you find the optimal way to structure your business.

5. **Use life insurance to offset estate taxes**
   There are no estate or inheritance taxes in Canada per se, but your estate may have to pay the taxman on any assets before they are distributed to your heirs. For the purpose of taxation, upon death, your assets are considered to be disposed of at fair market value (except for assets transferred to your spouse or qualifying spousal trust). If you don't have a spouse (or minor/disabled

child) to leave the assets in your registered plans, the fair market value of these accounts will also be included in your taxable income at death. If you want to ensure your heirs are cared for, consider taking out a life insurance policy specifically to cover the tax bill. Life insurance benefits are not taxable and, therefore, can go a long way toward paying off debts or covering taxes.

6. **Leaving more for your heirs**
It's always a good idea to review your estate plan once a year. For many, the goal of an estate plan is to ensure your money is distributed according to your wishes and minimize any estate taxes you'll have to pay. Leaving a legacy gift is one way to achieve both objectives at the same time. When you gift a portion of your estate to a qualifying charitable organization, you'll receive a tax credit that can help offset any taxes your estate might owe. It's a win-win – you'll not only support a cause you care about, but you'll also leave more money for your beneficiaries.

7. **Is your executor up for the task?**
With most estates taking about a year or longer to settle[2], it's a good idea to revisit who you've appointed as the executor of your estate. Are there any new developments that could potentially affect that person? Maybe they've moved across the country, predeceased you or are no longer up to the task of fulfilling this role for you. If something's changed, and you're unsure who else might be able to take on this responsibility, you may want to consider hiring a corporate executor, such as BMO Trust, who can oversee, without bias, the estate administration process.

Seek advice

While there are other planning modifications and considerations to make, focusing on these seven areas can strengthen your financial plan. A BMO Private Wealth financial professional can help you prioritize your financial needs and work with you to make key adjustments throughout the year.

For more information, please speak with your BMO financial professional.

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[1] PwC, "2021 Family Business Survey" https://www.pwc.com/us/en/services/trust-solutions/private-company-services/library/family-business-survey.html

[2] EstateExec., "Estate Settlement Statistics.," https://www.estateexec.com/ca/Docs/General_Statistics

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