

NetWorth



Does your wealth plan need a tune-up?

There's no one who can't benefit from a few life tweaks. Whether it's meditation to destress or tips from a golf pro to correct a swing, adjustments large and small can go a long way. It's the same for financial issues — a little more saved, or an asset allocation shift could help you maximize your money. Now is the time to make those tweaks as the year is still young. We've identified seven to-do's that might not be on your radar as a starting point.

1. Leave a legacy and protect your heirs

Review your estate plan once a year to ensure your money is distributed according to your wishes and minimize any estate taxes. Leaving a legacy gift achieves both objectives at once. Gift a portion of your estate to a qualifying charitable organization to receive a tax credit that can offset taxes your estate might owe. It's a win-win – you support a cause you care about and leave more to your beneficiaries.

2. Ensure your executor¹ is up for the task

With most estates taking about a year or longer to settle², it's a good idea to revisit who you've appointed as executor of your estate. Could any new developments affect that person? Maybe they've moved across the country, predeceased you or are no longer up to the task of fulfilling this role. If something's changed and you're unsure who else might be suitable, consider hiring a corporate executor such as BMO Trust to objectively oversee your estate administration.

3. Transform a loss into a win

Markets have been volatile. Many investors experienced declines in their portfolios in 2022. If you hold equities in non-registered accounts, don't sell declining shares at a loss, donate your fallen securities to charity. Donating stock to receive a tax receipt on the full value of the

About BMO Private Wealth

Backed by the heritage, stability and resources of BMO Financial Group, BMO Private Banking and BMO Nesbitt Burns have come together under the unified brand, BMO Private Wealth. Professionals from one of North America's leading full-service investment firms and Canada's best Private Bank are partnered to help you navigate the complex process of managing your wealth. Our multi-disciplinary wealth management professionals take a proactive approach to helping individuals and families achieve their wealth goals. Services include wealth planning, investment management, banking, trust and estate, and philanthropy.

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shares and avoid capital gains tax works in tougher times, too. Your donation generates a tax receipt for the fair market value at the time of gifting; any capital loss realized can offset future capital gains. An unused net loss can be carried forward indefinitely, but note superficial loss rules.

4. Know 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. The Canadian Federation of Independent Business (CFIB) reports only one in ten small business owners in Canada have a documented, formalized succession plan.³ While it's important to develop a plan to preserve the company's value when you exit, 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, succession planning strategies can help ease your tax burden. Consult a tax expert to structure your business optimally.

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 tax on any assets before they are distributed to your heirs as a 'deemed disposition' at fair market value is triggered at death (except assets transferred to your spouse or qualifying spousal trust). Similarly, if you don't have a spouse (or minor/disabled child) to inherit the assets in your registered plans, the fair market value of these accounts will also be included in your taxable income at death. Consider taking out life insurance to cover the tax bill. Payouts are not taxable and can help pay off debts or taxes.

6. Mind your borrowing costs

One of the best ways to improve your financial standing is to pay off any growing debts. With interest rates at their highest level since early 2008, 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 tax deductible. If you have an investment loan, ensure the investment returns match or exceed the interest you're paying.

7. Take an active approach

With markets mostly climbing for the better part of the last decade, investors could largely adhere to the "if it ain't broke, don't fix it" approach. However, given more recent market volatility, you may need to scrutinize your holdings to manage risk and seize opportunities. While your overall asset allocation may not need to change, some financial professionals might advise getting more defensive, while others recommend getting more aggressive, depending on where they expect the market to go. Revisit your holdings and tweak accordingly.

While there are many planning modifications and considerations, focusing on these seven areas can strengthen your wealth plan.

¹ Referred to as a liquidator in Quebec.

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

³ Canadian Federation of Independent Business, Getting the transition right. <https://cdn1.hubspot.net/hubfs/20336445/research/reports/Getting-the-transition-right-succession-planning-report.pdf>

5 Tips for Success from NHL Head Coaches

Against the backdrop of NHL Draft picks, BMO Private Wealth held a fascinating and timely in-person event with two of the NHL's most respected Head Coaches, André Tourigny of the Arizona Coyotes and Dominique Ducharme, formerly of the Montreal Canadiens. The lively conversation, moderated by TVA Sports' Louis Jean, was interspersed with entertaining anecdotes and important lessons – for anyone – on and off the ice.



Here are our top five takeaways:

1. Be coachable

In hockey and in life, it's important to be receptive and "coachable." Former Habs player Alexander Romanov (traded to the New York Islanders in July 2022), is a prime example of a "coachable" athlete. "Working with him every day was a pleasure," Ducharme recalled. Despite coming from Russia and not knowing Montreal's language or culture, the 22-year-old defenceman was always eager to give his best.

He surrounded himself with good people and reached out to coaches, older teammates – anyone who would help him adjust, explained Ducharme, while challenging himself to get better.



2. Adopt the right attitude

No question, the right skillset will help you succeed. But having the right attitude takes you one step above. The elite crop of athletes he's witnessed over the years are "driven, not just to be in the NHL but to get a better contract and to live up to the contract," shares Tourigny. "There's a sense of urgency, and many of the top NHL players are constantly on edge, always striving to improve." Their common denominator is their approach to the game. "Tampa Bay Lightning's Corey Perry is a perfect example," shared Ducharme. "A 37-year-old wouldn't still be playing in the NHL without a great attitude. Always the first to arrive at the arena and one of the last to leave before heading to the gym, the right attitude will eventually get him into the Hall of Fame," Ducharme predicted.

3. Pursue your passion

In his early coaching days, Ducharme earned little and worked hard. "But it was fun," he stated. "That's where it started, and then you slowly go up the ranks. But if you don't have that passion, it's a much tougher slog. The same lesson applies to the players – or anyone for that matter. A lot of the ones who make it to the league are there because of the passion, the commitment, doing everything they can to bring something to their team every day."

Tourigny agrees, "The key words are 'every day.'" Passion could mean the difference between the first and the fourth line in the NHL. "It's not about talent, it's the work ethic, preparation, good body language and enthusiasm with your teammates." It's not the best player on the team but the best team player that makes the best team.

4. Be Consistent

As a coach, you want to know that the player you send on the ice delivers as expected. "It's like playing cards," Ducharme shared. "I want to know the card I'm putting on the table. If you think you're putting down a ten but some days it's a King and other days it's a two, that inconsistency can make a coach uncomfortable, especially when you have big games."

"We're not gamblers," added Tourigny. "I want to make sure I put the right guy on the ice and know what he will do. And if I can't trust you will do your job, I will put someone else in your place." When that happens, that other guy may earn the coach's trust, increasing his ice time while yours diminishes.

5. Embrace Adversity

"Parents play such a key role in a hockey player's life," says Ducharme. But, while being supportive is great, it's equally important to let kids face adversity; it will make them stronger. "Don't be scared to put your kids in situations where they must figure their way out, fight to get ice time, and learn how to be coachable."

Tourigny echoes, "Despite his injuries, Sydney Crosby worked hard and bounced back. That's how you react to adversity." You can talk about passion and desire all day but it's what you do that matters. "Put in the work if you want to succeed," shares Ducharme.

Great advice helped you succeed as an athlete. It can help secure your financial future, too.

BMO Private Wealth has expertise in assisting elite athletes in understanding the challenges you'll face during all stages of your career and life – from fluctuations in income and unpredictable career spans to family obligations, privacy issues and transitioning to life after the final whistle.

We can help you manage all aspects of your financial future, including investment management, banking, trusts, insurance, philanthropy, taxes, cross-border solutions and wealth planning.

What is a Life Insurance Trust?

A life insurance policy offers a simple solution to some complex estate planning issues by creating a pool of funds available to the beneficiaries soon after death. A life insurance trust is a less well known, but sophisticated, wealth management tool that can amplify and diversify the benefits of a life insurance policy on the death of the insured.

An insurance trust provides the same benefits as insurance to a named beneficiary: privacy, speed of access to funds on death, and avoidance of the probate process (where applicable), thereby saving probate fees, related expenses, and time. Properly structured, an insurance trust can offer the following further advantages not available when an insurance policy is paid as a lump sum to named beneficiaries:

- Creditor protection for the beneficiaries;
- Reduced potential exposure to family law claims;
- Benefit to persons under the age of majority;
- Protection for vulnerable beneficiaries from depletion of their inheritance;
- Protection of entitlement to social assistance benefits for disabled beneficiaries; and
- Reduced overall tax burden on families by allowing income to be taxed in the hands of beneficiaries in a lower tax bracket.

The mechanics of a life insurance trust allow insurance proceeds to fund a testamentary trust on the death of the insured. Until that time, the policy retains its creditor-exempt status, provided the beneficiaries of the trust are from the prescribed class of family members (i.e., spouse or common-law partner, child, grandchild or parent). The insurance trust can be created in the Will or in a separate insurance trust document or “insurance declaration.”



In the right circumstances and with comprehensive estate planning and tax advice, a life insurance trust can have a meaningful impact on the lives of the beneficiaries. To learn more about life insurance trusts, and under what circumstances they may benefit you, please contact the office for a copy of our publication, *Life Insurance Trusts: The Whys and Whens*.



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