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# Investor Insight

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## Gifting Assets to Children

Most readers are aware that certain taxes will come into play upon their death and wonder if giving their money to their kids while alive is a better option. Canada has no estate or gift taxes, per se, unlike the United States. South of the border, estates are subject to confusing (and evolving!) rules on exemptions and tax rates.

Moreover, Canadian gifts will generally be free of tax to the recipient (unlike the U.S., which has a gift tax), whether made before death or by way of a bequest after death. However, the donor will be liable for capital gains taxes on any property transferred as of the date of the transfer. This will include gains on any securities, but also on a cottage or other vacation property, as examples. The same rules apply on death when the securities will have been deemed sold just prior to the passing, although special rules apply for spouses and dependent children. As well, there may be probate taxes that will need to be paid on the value of an estate, in certain applicable provinces.

There is no simple solution to avoid these taxes. For distribution through a will, various arrangements involving life insurance are a possibility, with the intent of having the insurance benefit cover the taxes owing. However, the practical effect may be to merely prepay the tax liability through ongoing insurance premiums. Still, they may be useful in certain individual situations.

Giving cash while still alive may be a viable option and can bring its own rewards. The recipient may really appreciate it and the donor will have the pleasure of seeing their assets put to good use while alive. Of course, it all depends on whether the donor is comfortable parting with the money, whether recipients are capable of handling such a bequest and whether other possible beneficiaries will be adversely impacted, particularly emotionally.

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