CURRENT DEVELOPMENTS
PERSONAL FINANCIAL PLANNING
VERSION 105

The ***Current Developments in Personal Financial Planning*** is a series of continuing education course for Certified Financial Planners, Chartered Professional Accountants, life agents and other financial services professionals. We recommend 6 hours of continuing education credits for each offering of the Course. You should check to ensure that the Course meets the continuing education requirements of the organization for which you are acquiring continuing education credits.

Completion of the course requires reading certain chapters of the quarterly update to The Personal Financial Planner's Manual and correctly answering 60% or more of the 10 questions on a multiple-choice examination.

How to proceed

This course must be completed, and your answers submitted by June 30, 2022.

Read the following chapters and topics and make note of the amount of time that you spend reading the material. You can expect to spend at least 6 hours doing so.

Section 3 – Income Tax and Compliance Planning
Chapter 12 –Federal Budget 2021 & C-30

You may also want to consult Emloyee Stock Options in
Chapter 8A - Taxation Of Capital Property

Section 7 – Retirement Planning
Chapter 7 – Annuities

Note that:

- you should not look at the questions until you are ready to start answering them;
- this is an open-book examination, and you may refer to the course material;
- you do not require an invigilator, but must complete the examination without assistance from another person;
- you have only 30 minutes to answer the 10 questions;
- the minimum pass mark is 60%; and
- there are no rewrites.

Complete the examination of 10 questions within 30 minutes. Finally, complete the Response Form and email only the Response Form to Gobeil & Associates. Upon passing the examination, you will receive an email confirming your successful completion.

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RESPONSE FORM

Your answers must be submitted by June 30, 2022.

Name: ______________________________ Date: ______________________________

E-mail: ______________________________

Question	Your Answer			
1.	A	B	C	D
2.	A	B	C	D
3.	A	B	C	D
4.	A	B	C	D
5.	A	B	C	D
6.	A	B	C	D
7.	A	B	C	D
8.	A	B	C	D
9.	A	B	C	D
10.	A	B	C	D

Examination agreement - I spent at least 6 hours reading the course material. I personally completed the examination in 30 minutes without assistance from another person. As permitted, I may have referred to the material.

Signature: ______________________________

Scan only this page and email it to info@gobeil.ca

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1. Your clients, Mark and Marge McDonald, have been retired for several years. Marge will have her 74th birthday in July 2021. Mark will have her 75th birthday in October 2021. They have heard about some changes to the Old Age Security program.

   What would you advise your clients?

   1. Marge will receive a taxable grant payment of $500 in August 2021;

   2. Mark will receive a taxable grant payment of $500 in August 2021;

   3. Benefits payable to Old Age Security pensioners aged 75 and older will be increased by 10% on an ongoing basis effective July 1, 2021.

   4. The taxable grant payment of $500 in August 2021 will be exempt from the definition of income for clawback of the Guaranteed Income Supplement.

   (A) 1 and 2
   (B) 1 and 3
   (C) 2 and 4
   (D) 3 and 4

2. Your client, Jean Guy, just graduated with a master's degree in Wallpaper Design. To his horror, he has discovered that there is only one company in the world that designs wallpaper, and they are not hiring. So, Jean Guy has taken a minimum wage job hanging wallpaper in the Governor General's garage. He has incurred a Canada Student Loan of $120,000. He has heard of the ***Repayment Assistance Plan.*** He has asked you how he can best manage the Canada Student Loan that he has incurred of $120,000.

   What would you advise your client?

   1. For borrowers living alone, the threshold for repayment assistance is $25,000.
   2. The income cut-offs are indexed to inflation.
   3. The cap on monthly student loan payments is 10% of household income.
   4. The cap on monthly student loan payments is 20% of household income.

   (A) 1 and 2
   (B) 1 and 3
   (C) 2 and 4
   (D) 3 and 4

3. Your client, Sally Anderson, is a single individual resident in Ontario with earned income of $11,000 and net family income of $26,444.

Budget 2021 enhanced the CWB starting in 2021, increasing:

- the phase-in rate from 26% to 27% for single individuals without dependants as well as families;
- the phase-out thresholds from $13,194 to $22,944 for single individuals without dependants and from $17,522 to $26,177 for families; and
- the phase-out rate from 12% to 15%.

What is the amount of Sally's Canada Workers Benefit ?

(A) $870
(B) $970
(C) $1,070
(D) $1,170

4. In the absence of the secondary earner exemption, Cherry and Eric Chan, a dual-earner couple with adjusted family net income of $50,000 would receive no CWB in 2021. Cherry had earned income of $18,000 and Eric had $21,000. The ***Secondary Earner Exemption*** is a special rule for individuals with an eligible spouse. This would allow the spouse or common-law partner with the lower working income to exclude up to $14,000 of their working income in the computation of their adjusted net income, for the purpose of the CWB phase-out.

With the secondary earner exemption, her adjusted net income would be reduced by $14,000, calculated as:

- (lesser of (her working income of $18,000 and the maximum Secondary Earner Exemption Exclusion of $14,000)).

Their Canada Workers Benefit before the clawback is calculated as:

- (lesser of (maximum benefit of $2,403 and ((adjusted net income – earned income threshold of $3,000) × phase-in rate of 27%))).

The clawback of their Canada Workers Benefit is calculated as:

- ((greater of ($0 and (net family income – phase-out threshold of $26,177))) × clawback rate of 15%).

So, their Canada Workers Benefit after the clawback is calculated as:

- (CWB before clawback of $2,403.00 – clawback).

What would be the amount of their Canada Workers Benefit after the clawback?

(A) $926.55
(B) $927.55
(C) $928.55
(D) $929.55

5. Your client, Klaus North, is the owner manager of North Poles Inc., a Canadian-controlled private corporation that manufactures poles for many applications. Klaus is planning his capital expenditures for this year and is considering investing $1,000,000 in Class 50 (55%), computers and system software, and $1,200,000 in Class 39 (25%), machinery and equipment acquired to manufacture and process goods for sale/lease. These assets are eligible for immediate expensing and the Accelerated Investment Incentive.

   What amount would North Poles Inc. be allowed as a total first-year deduction?

   (A) $1,500,000
   (B) $1,885,000
   (C) $2,077,500
   (D) $2,200,000

6. Your client, Henry Ford, is an executive of a major Canadian Bank that has an employee stock option plan. This year, Henry's employer grants him stock options to acquire 100,000 shares at a price of $40 per share, the fair market value of the shares on the date the options are granted, with all the options vesting in three years. Suppose that the price of the shares has increased to $55 when Henry exercises the options. Assume that the Income Tax changes proposed in the ***Fall Economic Statement 2020*** have received Royal Assent.

   What amount of the employee stock option benefit would be included in Henry's income and fully taxed at ordinary rates?

   (A) $1,425,000
   (B) $1,525,000
   (C) $1,625,000
   (D) $1,725,000

7. Your client, Marne Monk, is a senior officer of a publicly-traded corporation. She was granted certain qualified employee stock options that are now in the money by $50,000. The fair market value of the optioned shares under those options at the time of their grant was $100,000. Her employer did not designate them, at the time of the grant, as being non-qualified options. The options have vested, and she can exercise these options at any time.

   What would you advise your client?

   (A) Marne may elect to defer the recognition of the employment benefit for tax purposes until she disposes of the optioned securities.
   (B) Upon exercising the options, Marne would be subject to withholding tax of $50,000, the amount by which the options are in the money.
   (C) Marne should wait to exercise the options until she intends to dispose of the optioned securities.
   (D) If the value of the optioned securities decreases after Marne exercises the options, she may not have sufficient proceeds from the disposition of the securities to be able to satisfy the tax liability on her employment benefit.

8. Your clients, Mark and Esperance Dough, are approaching 65 years of age. They are considering their alternatives for generating retirement income from their savings. Neither is a member of a Registered Pension Plan (RPP) and most of their savings are in their Registered Retirement Savings Plans (RRSPs). They have heard that an advanced life deferred annuity (ALDA) may become eligible for generating income from a Registered Retirement Income Fund (RRIF). Suppose that the legislation to implement ALDAs is passed into law.

   In considering their use of an advanced life deferred annuity (ALDA), what would you advise your clients?

   1. Payments from an ALDA may be deferred until the end of the year in which the annuitant attains 85 years of age.
   2. The annual or more frequent periodic payments must be for the life of the annuitant.
   3. The payments may be adjusted annually to reflect in whole or in part changes to the Consumer Price Index.
   4. Each spouse is subject to a lifetime ALDA limit equal to 50% of a specified amount in relation to a particular qualifying plan.

   (A) 1 and 2
   (B) 1 and 3
   (C) 2 and 4
   (D) 3 and 4

9. Your clients, Sigmund and Inger Johansen, are approaching 65 years of age. They are considering their alternatives for generating retirement income from their savings. Neither is a member of a Registered Pension Plan (RPP) and most of their savings are in their Registered Retirement Savings Plans (RRSPs). They have heard that an advanced life deferred annuity (ALDA) may become eligible for generating income from a Registered Retirement Income Fund (RRIF).

   In considering their use of an advanced life deferred annuity (ALDA), what would you advise your clients?

   1. If the annuitant dies before a joint-lives annuity becomes begins payments, and if the surviving spouse chooses to commence the periodic annuity payments at an earlier date than the date that payments would have commenced to be paid, then the payment amount must continue to be based upon the life expectancy of the annuitant.
   2. Annuity payments to the surviving spouse of a deceased annuitant under a single-life contract would be included in the income of the surviving spouse for tax purposes.
   3. A death benefit paid to the deceased annuitant's estate can be rolled over into a qualifying plan on a tax-deferred basis if the beneficiary to that estate is a spouse.
   4. All or a portion of a death benefit could be transferred on a tax-deferred basis to the RRSP or other qualifying vehicle of the beneficiary provided if the beneficiary is a child who was financially dependent on the deceased annuitant by reason of physical or mental infirmity.

   (A) 1 and 2
   (B) 1 and 3
   (C) 2 and 4
   (D) 3 and 4

10. Michel works with Less Taxing Inc. as an income tax specialist. His duties primarily involve helping individuals fill out their tax returns in a booth at the local mall. On his first day, he encountered the most difficult tax situation that he could ever imagine. Jonah and his wife, Renata, have income from a wide variety of sources. Renata is a non-resident. Michel does not know which sources of income qualify as earned income for RRSP purposes.

    Which of the following incomes qualifies as earned income?

    1. The dividends that Jonah earned on his shares in a taxable Canadian corporation
    2. Renata's Canadian-source employment income
    3. The postdoctoral fellowship income that Jonah received after attending graduate school
    4. The business income that Renata earned as a limited partner of a Canadian partnership

    (A) 1 and 2
    (B) 1 and 4
    (C) 2 and 3
    (D) 3 and 4