CURRENT DEVELOPMENTS
PERSONAL FINANCIAL PLANNING
VERSION 106

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 at least 60% of the 10 questions on a multiple-choice examination.

How to proceed

This course must be completed, and your answers submitted by September 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 6 – Business Ownership

Chapter 4 - Taxation of Shareholders
Chapter 6 - Buy-Sell Agreements
Chapter 7 - Estate Freezes

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 September 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 client, Joanne, is the sole shareholder of Pinetree Inc., a Canadian-controlled private corporation. Last year, Pinetree invested $100,000 of after-tax profits in Canadian equities. This year, Pinetree had $60,000 of active business income and $40,000 in dividend income from its investment portfolio.

   As of 2016, the refundable Part IV tax on portfolio dividends received by private corporations is 38.33%, and the dividend refund rate for Refundable Dividend Tax on Hand is 38.33%.

   What would you advise your client?

   (A) Pinetree Inc. will have to pay Part IV tax of $0.00,

   (B) Pinetree Inc. will have to pay Part IV tax of $5,332.

   (C) Pinetree Inc. will have to pay Part IV tax of $15,332.

   (D) Pinetree Inc. will have to pay Part IV tax of $20,332.

2. Janice, the sole shareholder of Twinkle Inc. established the corporation with savings of $10,000. Twinkle Inc. is now valued at $800,000. She is thinking about setting up a holding company, Holdco Inc. Her husband and two small children would subscribe to common shares of Holdco Inc. for nominal amounts using their own funds and she would rollover her Twinkle Inc. shares. Her husband has never been employed by Twinkle Inc. nor contributed significant capital to Twinkle Inc.

   What are the income tax consequences?

   (A) Janice would have to report a taxable capital gain if she were to transfer the Twinkle Inc. shares into Holdco Inc.

   (B) Holdco Inc. would not have to pay any Part I Tax on the dividends that it was to receive from Twinkle Inc.

   (C) Any dividends that the children receive from Holdco Inc. would be taxed at their effective tax rates subject to the dividend gross-up and tax credit scheme.

   (D) Any dividends that Janice's husband was to receive from Holdco Inc. would be taxed at Janice's effective tax rate subject to the dividend gross-up and tax credit scheme.

3. On January 30 of this year, Margaret sold her shares in a family-run, small business corporation. The shares had an adjusted cost base (ACB) of $175,000 and had appreciated in value by $1,063,630. Margaret has never used the lifetime capital gains exemption and has an effective tax rate of 40%. Margaret had a cumulative net investment loss of $32,000. The shares are eligible property for the lifetime capital gains exemption.

For 2022, the ***maximum amount of capital gains arising from the disposition of qualified small business corporation shares eligible for the Lifetime Capital Gains Exemption (LCGE)*** is $913,630 and the ***LCGE limit*** is $456,815 and they are indexed annually to the Consumer Price Index.

What is the amount of Margaret's liability for income tax?

(A) $10,000

(B) $20,000

(C) $30,000

(D) $40,000

4. This year, Andrew realized a taxable capital gain of $140,000 from a disposition of qualified fishing property as an installment sale on which he could claim a capital gains reserve of up to $80,000. Andrew has already used $375,000 of the LCGE limit.

For dispositions of qualified farm or fishing property that April 20, 2015, the Lifetime Capital Gains Exemption (LCGE) applies to up to $1 million of capital gains realized by an individual on the disposition of qualified farm or fishing property. The ***LCGE limit*** is $500,000.

What amount of a capital gains reserve should Andrew claim?

(A) $15,000

(B) $25,000

(C) $60,000

(D) $80,000

5. Jerry is seven years of age and the sole income beneficiary of an inter vivos trust. The trust holds shares of Holdco Inc., a Canadian-controlled private corporation. Jerry purchased the shares for a nominal amount of $1 with his own funds. This year, Holdco paid the trust a dividend of $10,000 that was not paid from the corporation's general rate income pool (GRIP).

   What was the net amount of federal tax payable on the dividend?

   (A) $1,158.00

   (B) $1,038.46

   (C) $2,756.54

   (D) $3,795.00

6. Darren Duck was one of seven shareholders of The Party Place Inc. The shareholders have a corporate-insured, cross-purchase, buy-sell agreement. Last week, Darren died.

   How would the agreement be settled?

   1. The corporation would receive the death benefit.

   2. The excess of the death benefit over the policy's cash surrender value would be credited to the corporation's capital dividend account.

   3. The corporation would pay a tax-free capital dividend from the corporation's capital dividend account to the surviving shareholders.

   4. The corporation would use the capital dividend to redeem the shares of the deceased.

   (A) 1 and 3

   (B) 1 and 4

   (C) 2 and 3

   (D) 3 and 4

7. Your clients, Curly, Baldy, and Moe are three brothers who were co-owners of Blakeney Inc. They each owned 1,500 shares with an adjusted cost base (ACB) of $22 per share. After several years, the stock had increased in value to $34 per share. They executed a cross-purchase, buy-sell agreement that specified a fixed purchase price of $30 per share. When Moe died, the fair market value (FMV) of the shares was $40 per share. His personal representative is preparing Moe's final tax return.

   What are the income tax consequences?

   1. Moe's personal representative will report a taxable capital gain of $11,500.
   2. Moe's personal representative will report a taxable capital gain of $13,500.
   3. Moe's estate will report an allowable capital loss of $7,500.
   4. Moe's estate will report a taxable capital gain of $7,500.

   (A) 1 and 3

   (B) 1 and 4

   (C) 2 and 3

   (D) 2 and 4

8. Your client, Henry and his partner, Ralph executed a cross-purchase, buy-sell agreement. The agreement specifies that if either partner should die, the other partner would buy the deceased’s partnership interest at a fixed price.

   In arranging his financial affairs, what would you advise Henry?

   1. Henry has made sure that his partnership interest passes to his grandchildren.
   2. Henry has made sure that Ralph's wife does not become involved in the partnership.
   3. Henry has made sure that there will be a buyer for his business interest upon his death.
   4. Henry has made sure that his estate can obtain fair market value for his business interest.

(A) 1 and 2

(B) 1 and 4

(C) 2 and 3

(D) 3 and 4

9. Your client, J.P., has a net worth of $4 million. His assets have appreciated in value by $3 million since the time of purchase. He has two grown children to whom he eventually plans to leave his estate. He expects his assets to continue to appreciate in value indefinitely. J.P. is considering an estate freeze using an inter vivos trust, not a Section 85 rollover.

In arranging his financial affairs, what would you advise J.P.?

(A) An estate freeze using an inter vivos trust could trigger an immediate tax liability.

(B) A rollover is available to transfer his assets to the inter vivos trust.

(C) An estate freeze using an inter vivos trust offers the opportunity to defer indefinitely taxes on capital appreciation of the property holdings.

(D) Any capital appreciation of the property held in an inter vivos trust is taxable to the beneficiaries as a capital gain on an annual basis.

10. Your client, Eva, operated her own incorporated business for many years. Her shares are qualifying shares of a small business corporation and the capital appreciation on the shares is $1 million. Eva has never used the lifetime capital gains exemption. Eva has two grown children and is considering ways to transfer the ownership of her corporation without having her estate depleted by a large tax bill upon her death.

    In arranging her financial affairs, what would you advise Eva?

    1. Eva can use the lifetime capital gains exemption to avoid tax on all of the capital appreciation on her shares.
    2. Eva can buy life insurance to provide the funds to pay the tax liability.
    3. Eva can execute an estate freeze to pass any future growth on to her beneficiaries.
    4. Eva could rollover the corporation to her children.

    (A) 1 and 2

    (B) 1 and 4

    (C) 2 and 3

    (D) 3 and 4

