

Fall 2018

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the newsletter of Prentice Yates & Clark

TFSA and Death: Have You Planned for What Will Happen With Yours if You Die?

If you own a TFSA you undoubtedly started it because of the ability to invest and earn dividend or interest income as well as make a capital gain without paying tax.

Unfortunately, similar to any investment vehicle, there may be complications in the event of the death of a taxpayer. Consider the following.

Successor Holder

If you have named a survivor who is your spouse or common-law partner as a successor holder then that individual acquires all the rights of the original holder and thus becomes the new account holder.

With this scenario the TFSA does not terminate and thus there are no tax consequences to the new account holder. An additional benefit may accrue if the original holder has overcontributed before their demise and the new account holder has contribution room in their TFSA. Should this situation arise the overcontribution by the deceased can be absorbed by the new account holder thereby eliminating any potential future overcontribution penalties. (currently at 1 % per month)



Rollover Period

Assume for a moment that the deceased did not designate the spouse or the common-law partner as a successor holder. What then?

If the spouse or the common-law partner named in a will are accorded an inheritance that includes the TFSA the TFSA can be transferred to their TFSA within a prescribed time period, the "Rollover Period". The rollover time frame is explained as starting at the time of death until December 31 of the following year. During this rollover period the investment income is sheltered from income tax.

In the event that the beneficiary decides to transfer funds to their own TFSA during the "Rollover Period" these transfers are considered to be "exempt contributions" and as such do not require that the beneficiary have TFSA room. However, the amount of the transfer is limited to the fair market value (FMV) of the TFSA as at the time of death of the original holder. Thus, if at the time of death, the FMV was \$50,000 but at the time of transfer the value of the TFSA was \$55,000 the \$50,000 could be transferred without any impact, however, the \$5,000 increase could be absorbed by the beneficiary should they have room within their TFSA. The \$5,000 increase in the FMV of the TFSA would be included in the beneficiary's income in the year of the transfer.



TFSA and Death: Have You Planned for What Will Happen With Yours if You Die? - continued

Named Beneficiary

When you die without a spouse or common-law partner as the named successor, the TFSA is collapsed at the date of your death. The amount of the TFSA can be transferred to the named beneficiary tax-free, but only up to the amount of the FMV of the TFSA at the date of death. Naturally, the beneficiary would need to have TFSA room to absorb the FMV transfer. For instance, if the beneficiary had \$30,000 of accumulated TFSA room and the FMV of the transfer at the date of death was \$53,000 which had increased to \$55,000 by the date of transfer to the beneficiary, \$30,000 could be transferred into their TFSA, and \$2,000 would be included in their taxable income. The remaining assets would still be received without incurring any tax on the transfer, but future income and capital gains on those assets would be taxable for the beneficiary.

Form RC 240

It is worth noting that when an exempt contribution of the deceased TFSA is made to the survivor holder's TFSA that the survivor holder has 30 days from the date of contribution to fill in "*Form RC 240, Designation of an Exempt Contribution Tax-free Savings Account (TFSA)*".

As is evident there are potential tax complications with a TFSA when a taxpayer passes. An additional observation is that the rules governing the transfer of assets of the deceased is a provincial or territorial responsibility. Fortunately, the CRA and their provincial/territorial counterparts have agreed that the named beneficiary on the TFSA application will allow transfers without interjurisdictional complications. Quebec may be an exception wherein the TFSA transfer hits the estate and the will of the deceased comes into play.

In that TFSAs are registered with the CRA an astute tax payer would want to determine the tax consequences when their TFSA has a named survivor and the tax consequences should the will take precedent.

You may wish to affirm that your CPA is aware that you have a TFSA so that in the event of your untimely demise, your tax advisor is able to assist those that are successor holders or beneficiaries. ♦

Inside PYC

The annual Ontario Non-Profit Association (ONPHA) conference will be held October 26th to 28th in Toronto where J.J. Pauze and Viola Bardhoshi will be at the Trade Show and Viola will also be presenting the Award of Excellence at the opening plenary.

We would like to welcome Rachel Pizunski and Stefan Piljevic as new members of our professional staff.



The Eyes Have IT

Better ways of viewing computer screens can reduce eye strain and increase productivity.

Regardless of occupation, we all spend an inordinate amount of time staring at computer, laptop or smartphone screens. The result is often eye strain known clinically as computer vision syndrome (CVS). Researchers suggest that between 50% and 90% of individuals who work with monitors for more than two hours a day suffer some form of symptom.

Shifting Focus

Working in front of a computer monitor stresses the eye muscles because our eyes move across the screen in the same way over and over again. Regardless of whether your eyes are jumping between screens or moving between the screen and a document on your desk, your eye muscles become fatigued. The need of the eyes to constantly shift focus and direction plus the monitor's flickering, contrast, and glare just adds to the stress on the eye that creates eye strain.

The Age Factor

Eye stress is also affected by age. As individuals move past 40, there is a noticeable degradation in the ability to focus on close objects. This change (called presbyopia) is a normal aging process that can usually be compensated for with eyeglasses, contact lenses, or surgery. If you do not correct presbyopia, you will be bothered by headaches and eye strain. Constant use of monitors without appropriate compensations increases problems with colour perception, blurred vision, double vision, dryness, red eyes, eye irritation, headaches, neck or back pain.



The Eyes Have IT - continued

Correctly position the monitor.

Relieving the Symptoms

Experts indicate the following processes are helpful for reducing CVS:

Correctly position the monitor. The best position is straight ahead and tilted slightly down. This reduces the need to force the eye muscles to pull the eye up. The top of the computer monitor should not be higher than the level of your eyes.

Blink more. Those working with monitors blink five times per minute versus a normal blink rate of 12 times per minute. Thus, the eye does not produce the tears that help prevent inflammation by keeping open the oil-secreting glands in the eyelids.

Place the monitor (including your smartphone) from 45 to 76 centimetres (18-30 inches) away from your eyes and tilt your screen to avoid glare from overhead lights. Glare creates eye strain.

Close the blinds, reduce back and side light and consider a matte screen filter.

Consider using computer eyewear. There are numerous and conflicting articles as to whether “computer glasses” designed to better read the monitor and to reduce the blue light emanating from the screen are beneficial. Check with your optometrist as to whether there would be any benefit in having prescription “computer glasses” before buying those online bargains.

Give your eyes a rest. The Mayo clinic suggests observing the 20/20 rule. Every 20 minutes look at an object that is at least 20 feet (six metres) away for 20 seconds to relieve the stress on the eye muscles and thereby reduce the progression of nearsightedness (i.e., the inability to see far-away objects clearly)

Consider **changing the monitor’s display settings.** Increasing the font size will reduce eye strain as will changing the contrast level on the monitor. Believe it or not, the best setting for using a monitor is the tried-and-true black text on a white background. Reducing the monitor’s brightness level to replicate a standard piece of office paper is a preferred standard. For those using more than one monitor, ensure that both are matched to the same settings.

Size counts. Buy a monitor that is at least 19 inches with anti-reflective surfaces. If within the budget, upgrade monitors to UHD.

Reduce “visual noise.” Blue light is what makes the screen look better, but it is also harder on the eyes. The Canadian Association of Optometrists states:

Computer screens and other digital devices emit significant amounts of blue light and people are spending more and more hours looking at them. The high energy blue-light waves scatter more in the eye and [the eye] is not as easily focused. This scatter creates “visual noise” that reduces contrast and can contribute to digital eye strain.

The solution is to reduce the blue light emitting from the screen by reducing the brightness.

Eye Management

At the moment, there is no scientific evidence to suggest that constantly staring at monitors has any long-term impact on vision. However, from a productivity standpoint, eye strain and its accompanying maladies affect daily performance. To improve performance, owner-managers should review their computer location, office lighting and the other factors noted above to create a more comfortable and effective work environment. In addition, staff should be encouraged to have annual eye examinations and create work schedules that include breaks to reduce time staring at the computer. ♦



Age Management

Combining the skills and experience of older workers with the enthusiasm of younger employees makes a more productive workplace.

Of Canada’s 19.7-million labour force, about 5.0 million persons (25%) are 55 years of age or older, most of whom are between 55 and 65. (Only about 4% of the labour force is over 65.) This pool of older workers is a rich resource of knowledge and skills. Introduction of an age-management strategy within every organization will provide opportunities for both the younger and older worker while increasing the efficiency of the business. Both government and industry are attempting to facilitate the intergenerational transfer of knowledge, but education takes time; the accumulation of skills through experience can take a long time. Organizations, with their daily demand for traditional as well as new skills, cannot just wait for the education system to provide the new skills.

As can be expected, a person’s work abilities may decline with aging as both physical and mental functions diminish with aging. Because the natural rate of physical and mental decline depends on each individual and is not indicated by universal markers such as teething, walking, talking and puberty in children, it is difficult to determine an exact age when an individual’s physical and mental capacity suggests retirement.

Age Management - continued

Enforce Compliance with Safety Rules

Studies of European workers have found that workers over 50 are more likely to have accidents within the workplace regardless of the amount of training provided before the job commenced. This suggests that employers need to provide the best safety equipment and rigorously enforce compliance with all safety procedures. Safety should be part of every job.

The accident experience of older workers should temper the sometimes risky practical joking and carelessness of some younger workers by showing them potentially dangerous situations and behaviours. With old and young looking out for one another, an overall safer workplace should reduce the high cost of injury not only to the individual but also to the business.

Retain the Mature Worker and Benefit the Organization

Offering the mature worker the opportunity to work at full capacity provides benefits to the younger worker. Accommodating the needs of older workers can certainly assist in maintaining productivity and may even reduce the possibility of injury to employees or damage to property that often accompany exhaustion or inattentiveness brought on by the work environment.

Establish flexible work schedules.

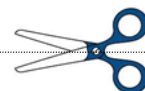
Greater Productivity

Many factors will improve the workplace and therefore employee productivity:

- **Establish** flexible working schedules not only in the number of hours worked per day, but also the time of day that work is performed. For example, doing roofing in the early morning or later in the day when temperatures are lower than between the hours of 10 a.m. and 2 p.m. will enhance both productivity and safety.
- **Rotate** jobs not only to remove monotony (a contributor to accidents) but also to provide a greater depth and range of skills within the workplace among more employees so that a task does not get interrupted when someone leaves, goes on vacation or is off sick.
- **Ensure** a mix of younger workers in any work team. Not only can “old dogs” learn new tricks, but “young dogs” can learn old tricks. Stress on older workers can be reduced if younger workers take on the more demanding physical elements of the task.
- **Reduce** the stress on all employees by investing in:
 - ergonomically designed tools and machinery and a workplace environment that reduces stress through noise reduction, mats on floors and appropriate lighting and air conditioning
 - personal safety equipment that not only complies with legislation, but also meets the needs of all employees
 - safety education and insistence that all safety rules and regulations be followed
 - employee-by-employee risk assessment; younger employees would be evaluated on their ability to complete a task without the experience of a seasoned veteran.

Combine and Continue

There are many 50+ workers who want to continue working not only for the income but also because they enjoy working and need to feel a purpose in life. A program that considers the work ability of employees on an individual basis regardless of age and co-mingles employees of different ages in the performance of tasks is an excellent means of ensuring the continuation of business by combining the skills and patience of the older generation with the enthusiasm and productivity of the younger worker. ♦



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If you would like to contact us by e-mail, we can be reached at *info@pyc.net*. Some of the articles appearing in this issue of *info@pyc.net* were prepared by the Chartered Professional Accountants of Canada for the clients of its members.