

Champion Family Tree



IAFP Case Study 2020

A Matter of Trust

Our story continues from 2019.

If you recall:

- Tim Smith and Elise Champion recently returned to Canada from studying and then working as university professors in the US for the previous 30 years.
- They are unmarried but have twin adult children, John and Julie (now age 26.)
- Julie is bipolar and is a student. John is an Engineer.
- The twins recently inherited \$250,000 each from their Grandfather's estate which was invested in the bank.
- Elise wants to retire and travel. Tim loves his job teaching at the University of Ottawa and doesn't want to retire for a long time.
- Elise is her mother - Agnes' power of attorney. Agnes lives in Calgary and is the sole owner of Alberta Trucking Co. which she inherited when her husband died in 2016.
- Elise's sister, Mona Jones, lives in Calgary as well and runs the trucking company for her mother. Her husband, Max Jones, is a financial advisor and would love to take over managing Agnes' money.

It is now one year later.

Our clients Elise (age 59) and Tim (age 61) are talking about getting married after all these years. Someone told them it would make life easier on the death of one or the other of them. They haven't retired yet. Tim loves his job and doesn't really want to change. Elise hates her job and wants them both to retire NOW so they can go out and see the world. Tim is also worried about benefits after he retires, so he is going to put it off as long as possible. They did not take any of our advice from last year and are in the same state of affairs as in 2019. No wills, no powers of attorney, money still in the US - nothing has been done. They are also wondering about CPP and US Social Security and the ramifications of it all.

John (age 26) did not take the opportunity to move to Waterloo. He is still in Ottawa and recently started a great job with Shopify. The job comes with stock options. However, he really doesn't know what they are or how they work. Julie (age 26) has finished her MA but doesn't have a job. Her manic depressive episodes are getting worse. They both went the robo-advisor route with their trust funds. Mona is the trustee and she lets them invest however they want. Her husband Max is not involved at all. Julie can get into her account and make changes whenever she wants. Her \$250,000 is now worth \$240,000. John is too busy to pay much attention although he is interested in social impact investing. His account is now worth \$310,000.

Elise and Tim have referred us to Agnes because she is worried about running out of money. Elise and Tim really don't know what her situation is and have other things on their mind – like the retirement and travel that Elise REALLY wants to do, as well as their unemployed daughter.

It turns out that Agnes (Grandma – age 81) does not have increasingly diminished capacity as original feared. An inability to manage her finances is no longer a concern. She was, however, experiencing situational depression following the death of her husband, which is different than chronic long-term depression that impacts daily functions and reoccurs. In December 2019, she gave \$200,000 to her son-in-law, Max to invest for her. She gets internal statements from his company and notices that the investments are companies she has never heard of. The returns on her investments are amazing but they fluctuate wildly from month to month. Her \$200,000 is now worth \$400,000 but has been as low as \$100,000. Max is quite excited because he assumes more money will be coming his way, given the returns she is getting.

Agnes is also worried about her monthly income which seems to be going down. She gets her CPP and RRIF income but the income from the company is going down. She received \$75,000 in dividends last year. That was down from the year before and it looks like this year will be less again. She suspects it is because of the state of the Alberta economy but isn't sure. She has been thinking about moving to a retirement home from her condo in the next 5 years or so and worried about what that will cost. Her large two bedroom condo was worth \$600,000 a few years ago but is going down in value every year. It is now worth between \$400,000 and \$500,000. She worries about that too.

Max has approached Agnes to consider life insurance. He is suggesting a \$1,000,000 whole life policy to pay the taxes on the company shares on her death. The premiums are huge – almost gave Agnes a heart attack when she found out the amount of the premium. He also approached Tim and Elise about their life insurance. He feels that \$50,000 each is not enough – just on principal. He says they need more. They are uncertain whether they need insurance or not.

Mona is still running the company and is caught in the middle between Max and Agnes and her sister and niece and nephew. She is worried about the economy and the income from the business because her bonus is tied to the business she brings in.

Mona is also concerned about her Mom. It seems that Agnes has fallen in love and after a whirlwind romance, she remarried 6 months ago. Her new man is much younger than her. James is 59 years old and as far as she knows has been single for a long time. They do lots of fun things together – he takes out to the theatre, musical events, dinners, etc. She is having a grand time. Agnes recently made him joint on her condo and bank account and was talking to Mona about having him become a shareholder in the company so that there would be income splitting opportunities.

Unfortunately, Agnes and Mona were out shopping together recently and saw James with another woman cuddling in a restaurant. This spurred Agnes on to come to see us about her financial concerns and to see how to protect herself in light of this new information.

Financial information

ELISE & TIM 2020 Net Worth Statement

ASSETS	Elise	Tim	Joint	TOTAL	
Principal Residence			901,000	901,000	up 8.6%
Savings & Investments					
Savings accounts			104,000	104,000	
Bank Non-registered - Balanced			212,000	212,000	
RRSP	140,200	133,840		274,040	
TFSA	80,200	80,200		160,400	up 3%
401(k)	257,250	420,000		677,250	up 5%
IRA		25,750		25,750	up 3%
Roth IRA	25,750			25,750	up 3%
457(b) Stocks	151,800			151,800	up 10%
Total Investments	655,200	659,790	316,000	1,630,990	
TOTAL ASSETS	655,200	659,790	1,217,000	2,531,990	
LIFE INSURANCE	Elise	Tim	Joint	TOTAL	
Life Insurance – personal					
Whole life??? Joint & last to die (Mutual Life Insurance CO of NY)			50,000	50,000	
Life insurance – Group at work	190,000	290,000		480,000	
CASH FLOW - LIFESTYLE	Elise	Tim	Joint	TOTAL	
Employment earnings	99,900	145,000		244,900	
Lifestyle expenses			65,000	65,000	increased due to more travel to Alberta

Agnes
2020 Net Worth Statement

Assets

Principal Residence	Condo	450,000	
(Now joint with James)			
Bank Account		310,000	
(Now joint with James)			
RRIF		500,000	
TFSA		5,000	
Investments with Max		400,000	today
Alberta Trucking Shares		???	
			\$
TOTAL		1,665,000	
Life Insurance	Term to 100	100,000	

Income

CPP		7,680
OAS		7,365
RRIF		35,500
Dividends		<u>75,000</u>
Total Income	\$	125,545