2022 IAFP Symposium Case Study

In [last year's case study] we introduced you to the Maguire-Tyson family, an entrepreneurial family living in Toronto. Mike Tyson was 75 and had recently sold his business while his wife, Molly Maguire, was 70 and still thriving in her career as a successful real estate agent. They had three children, Steve (was 48), Mary (was 45), and David (was 42).

In our hypothetical case we are going to take another look into the lives of this family and revisit their situation five years later. You are the financial planner for Mike and Molly, and also Mary and Jon. However, Molly keeps you informed of what is going on with both Steve and David's families as well and even though they are not your clients, she is hoping you can help provide them some pointers as well.

Mike Tyson (80) & Molly Maguire (75)

Mike is now 80 years old and he is currently living in a retirement home. Mike's cognitive capabilities are worsening, and he now suffers with dementia. Molly (now 75) visits him regularly and fears that he is a target for elder abuse.

Unfortunately, Molly and Mike made no further progress on their end of life planning, and Molly is filled with regret. Without a Power of Attorney document Molly needs to figure out how to get authority from the courts to manage Mike's finances. She is thankful that she was able to convince Mike to prepare an online will five years ago but has questions about the validity of the Will. Her own will is now 15 years old. Molly recognizes that she also needs to prepare a Power of Attorney and Health Representative agreement for herself.

Molly has been grooming her son Steve to take over her business and they are now working together and splitting commissions on sales with hopes that he will be ready to take full control in the near term. She is getting tired and doesn't have the energy she once did.

She has been drawing dividends from her company but hates paying tax. With Mike's health deteriorating, Molly has questions about what tax incentives might be available to him or her to help ease the financial burden of assisted living arrangements. Both her and Mike had always been supportive of charities and she wonders the best way for her to give. She has historically given cash personally, but she wonders if she should be gifting her personal or corporate investments instead. What would be the best outcome for her?

Molly and Mike's Net Worth			
Assets	**Owner**	**Market Value**	**Notes**
Bank account	Joint	$25,000	
RRIF	Molly	$750,000	
RRIF	Mike	$625,000	
Non Registered	Joint	$300,000	Book Value = $200,000
Principal Residence	Joint	$3,500,000	
Mutual Funds and Stocks (Balanced)	Mike's Holdco	$1,600,000	Book Value = $1,300,000
Arizona Rental Property	Mike's Holdco	$500,000 CAD	Book Value = $395,000 CAD (2019)
Calgary Rental Property	Mike's Holdco	$750,000	Book Value = $700,000 (2021)
Toronto Rental Property	Mike's Holdco	$2,500,000	Book Value = $500,000 (2012)
Liabilities	N/A	0	
Net Worth		$10,550,000	
Insurance		nil	

Mary Tyson (daughter, age 50) & Jon Anderson (son in law, age 60)

Jon has just retired from his lifelong teaching career. He wants to know when he should start to collect his CPP, and later on his OAS. He has 34 years of maximum contributions into the Canada Pension Plan, and another two early on his career where his income was roughly half of the YMPE. They have questions about Jon's CPP; if he defers what do the additional zero earning years do to his CPP entitlement? Should he wait to start his CPP to age 70, and if he does and then later dies, will the fact that he postponed his start date mean anything for Mary's CPP survivor benefits? In addition to CPP and OAS, Jon's work pension is $50,000/year.

Jon has been focusing on their investment portfolio but is not sure exactly how to structure their portfolio. Should they do it on their own or should they hire a professional? They used to invest in GICs and very conservative funds but with the exception of Mary's TFSA (high interest savings account at 0.2%) they are now invested in balanced mutual funds. With so many options it is hard to know what to buy.

Mary (now 50) now owns only 51% of her hi-tech gaming company. The pandemic years brought significant growth and they recently purchased a commercial building to work in. They are in the process of getting their property & casualty insurance in place and getting quotes from a few providers, but she feels out of her depth and she is wondering what she really needs.

She is getting burnt out as well and with Jon retired is feeling conflicted with operating a company while her husband is lazing around the house. He would like her to form an exit plan so she can join him in retirement.

Their children are all getting older, Abigail (now 15) and Andy (now 13) are still going to school. Jon's son Thomas (now 30) was working for Apple in California but as his father Jon kept him in the loop with respect to his retirement plans, he became very interested in personal finance. He is moving back to Canada to be closer to family and he intends to help financial advisors with their technology and get them set up so their business can operate more efficiently going forward. He wants to know what he should do with the $175,000 USD inside his 401(k) and how or if he should bring it back to Canada.

Mary and Jon's Net Worth			
Assets	**Owner**	**Value**	**Notes**
Bank account	Joint	$10,000	
RRSP - balanced funds	Mary	$275,000	
RRSP - balanced funds	Jon	$13,000	
Non-Registered - balanced funds	Mary	$400,000	Book Value = $350,000
TFSA - high interest savings @ 0.1%	Mary	$83,000	
TFSA - balanced funds	Jon	$100,000	
RESP		$55,000	EAP = $35k, PSE = $20k
Principal Residence	Joint	$1,250,000	
Mary's company shares		$650,000	(estimate)
Liabilities			
Mortgage	Joint	($75,000)	
Net Worth		$2,761,000	
Insurance			
20 year term	Mary	$200,000	

Steve Tyson (son, age 53) & June Cleaver (daughter-in-law, age 40)

As previously mentioned, Steve is taking over his mother's realtor business. He shares commissions with his mother, Molly, and he has recently established his own Personal Real Estate Corporation (PREC). Steve constantly hears from his clients that they are concerned about the current real estate market in Canada, he is not sure what to tell them when they ask for advice on the future housing market.

You may recall from last year's case that June's biological clock was ticking loudly, and after successful IVF treatments June gave birth to triplets who are now 2 years' old. They are keenly watching for further details about the promised $10/day daycare program which was a main point in last year's Federal election campaign. With three young children, they are a little confused as to how their Canada Child Benefits (CCB) work and whether Steve should take salary or dividends and how this all works together. Will this decision also impact future government pensions?

David Tyson (son, age 47) and Henry James (son-in-law, age 45)

David is now 47 and Henry is now 45.

George (David's biological son) is now 18 and is heading to university. They have a RESP account for George worth $60,000 and want to know how best to unwind it. George has a girlfriend of three years named Namid who he met in high school. Namid was born on an Indigenous Peoples reserve but her family moved to Toronto when she was a teenager and shortly afterward she met George. Namid and George are curious what unique planning opportunities they should be thinking about given her heritage.