



Helping Dentists Build Wealth

Charitable Giving
& Donor Advised Funds

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Made Easier

Common Mistakes
in Will Planning

CHARITABLE GIVING & DONOR ADVISED FUNDS



Scott was a teenage boy whose life was miserable. Most of his teeth had been removed, and the remaining ones were severely decayed. Despite efforts to brush regularly and look after his teeth, they were literally falling apart. He rarely smiled, and when he did, it was with a closed mouth. Scott was ridiculed by his peers, and he suffered from pain and embarrassment.

Scott was introduced to University of Toronto's Access to Care Program, which offers world-class dental care at an affordable rate. Unfortunately, his family was unable to afford the procedures necessary to improve his situation. Thankfully, he was able to qualify for the Access to Care Fund, a charitable organization that subsidizes the cost for vulnerable patients, ensuring they receive the best available treatment, regardless of their ability to pay. Today, Scott has a full set of teeth, a healthy mouth, and a great smile.

Outcomes like Scott's would not be possible without the generosity of others. Each year, millions of people in Canada donate money to charity and other non-profit organizations. By contributing financially, donations offer a way for people to express their preferences and give based on their personal interests and values. They have a feeling of compassion towards people in need and want to make a positive impact in their community. In 2017, Canadians donated \$10 billion to charitable organizations with the



most common recipients being religious, health care, social service, and educational organizations.

Typically, charitable giving occurs sporadically throughout the year when friends or family participate in fundraising events, when someone passes away, or to offer relief from natural disasters. While any amount given is welcome, these one-time donations lack an enduring nature. For those wishing to make a recurring impact, there is a better solution.

Donor Advised Funds

Private foundations have been the preferred choice of wealthy families for generations, offering great flexibility and ongoing support to their charitable interests. The

nature of a foundation is to manage a pool of funds and identify which types of charities to support each year. However, a private foundation can be costly and complex to establish and maintain, which is why they are typically used only by the wealthiest of families.

A Donor Advised Fund (DAF) offers a simple and efficient way to establish a charitable account without the cost associated with setting up a private foundation. A DAF is an account within a registered charitable foundation, created when a donor makes an irrevocable donation to the foundation. The donor receives a tax receipt immediately upon making the donation and receives administration and investment services from the foundation.

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DAFs give clients the flexibility to grow the monies within their charitable account, often with the help of a financial advisor, and to direct money to charities over time and in amounts of their choice. Clients also can receive tax and estate planning, as well as charitable-giving advice, in relation to the DAF.

For example, let's say a person wants to advance the education of underprivileged children in a developing country. Here's how it works:

- The donor chooses a name to personalize the fund.
- The donor then contributes to the DAF and a tax receipt is issued.
- Proceeds of the donation are invested, to be allocated each year to a registered charity (or charities) in Canada whose purpose is to provide education for underprivileged children in the desired region.

In this way, DAFs provide an ongoing and enduring legacy for the donor. It's like having your own private foundation. DAFs also offer the following benefits:

- **Efficiency** – donors achieve all the financial advantages, tax benefits, and personal satisfaction that come from establishing a charitable foundation, with significantly less cost and complexity.
- **Control** – while the program takes care of the intricacies, the donor selects how the invested funds should be allocated each year and, with the guidance of an advisor, how the assets should be managed. In addition, the donor receives regular and measurable feedback on the positive impact of the gift.
- **Tax Savings** – a tax receipt is issued for any donation of cash

Donating Securities

The donation of securities, mutual funds, artwork or other cultural property "in-kind" (instead of being sold and converted to cash) may result in addition tax savings since the capital gain can be waived.

- or publicly-listed securities. Plus, with the donation of securities, the tax liability typically associated with the realization of accrued capital gains can be avoided.
- **Legacy** – the donor's philanthropic strategy can play an important role for generations to come. The donor may name a beneficiary to the fund in their will, donate an RRSP or RRIF, transfer a paid-up life insurance policy, or get family, friends, and colleagues involved in the cause.

Charitable giving is increasing throughout Canada and the Donor Advised Fund is an excellent way to create a wonderful legacy. TMFD Financial has helped clients to set-up DAFs and would be pleased to do the same for you and your family.



MIKE LAKHANI B.COMM, FCCA, CPA, CGA, CFP, R.F.P.

Mike is the CEO & Founder of TMFD Financial, formerly Tax Matters for Dentists. Since 1987, Mike has been providing expertise in tax planning, accounting and personal financial planning to dental clients. He has created a 'Multi-Family Office' for dentists geared to align their dental practices with their personal lives. With accessible, seasoned professionals all under one roof, each client's unique needs are considered with regard to tax planning, accounting, cash management, practice issues, retirement planning, structured portfolios, estate planning and insurance.

BOOKKEEPING MADE EASIER

At TMFD Financial, our focus is always on helping dentists build wealth and achieve financial independence. This task has become more difficult with the newest corporate tax rules introduced by the federal government a year ago.

Bookkeeping Made Easier

Bookkeeping is an integral part of maintaining your business, and an essential tool in measuring business performance. At the very basic level, bookkeeping is the process of recording your practice income and expenses in order to prepare reports that monitor the profitability of your business. It can also include:

- Recording and paying bills
- Processing invoices
- Reconciliation of bank and credit card accounts
- Processing payroll

Solid bookkeeping is an invaluable tool for accountants when preparing financial statements. Monthly or quarterly bookkeeping can help plan and estimate taxes so that you are not caught off-guard with a big tax bill at the end of the year.

As a dentist, timely and accurate reports help assess the health of your practice. They are an important reference when making key decisions such as hiring an employee, managing cash flow, investigating expenses that are over budget, and identifying trends within the business. Ultimately,

bookkeeping ensures the financial affairs of your practice stay organized, so you know how much you are making and if you are meeting targets.

Setbacks of traditional bookkeeping

Although bookkeeping can help a practice owner stay organized and up to date, it can also be very time consuming and expensive. The option of hiring a good and reliable bookkeeper can be costly; most charge a fee of \$800 - \$1,500 per month, which may not be reasonably priced for most practices. Often, traditional bookkeepers will use old technology, recording each transaction manually which can prove inefficient and inaccurate.

New technology - Cloud Bookkeeping

Technology has significantly revolutionized bookkeeping. In the past several years, many software companies have introduced cloud-based software, an automated process designed to significantly minimize the time and cost involved in maintaining records. The result is a more accurate and efficient system, eliminating the expense to hire additional staff particularly for smaller businesses.

A TMFD Solution

TMFD strives to innovate the bookkeeping and accounting processes for dentists through

several key software partnerships. The result is minimized costs and real-time updating. As well, they provide information for TMFD to create business plans and customize coaching services.

We have partnered with the following companies to provide efficient services:



QuickBooks® Online – Online Bookkeeping software

- Automatically downloads transactions from bank and credit card accounts once the bank feed is connected.
- Access is available from anywhere using a web browser on a computer, tablet or a phone. The data is stored on secure servers.



Wagepoint® – A simple and easy-to-use online payroll software

- Online payroll software to keep compliant with CRA regulations allowing employees and independent contractors to be paid easily.

Monthly or quarterly bookkeeping can help plan and estimate taxes so that you are not caught off-guard with a big tax bill at the end of the year.

- Provides all key payroll services such CRA & EHT remittances, direct deposit, T4 & T4A reports, ROE and WSIB submissions.

and CSV versions of bank and credit card statements.



Hubdoc® – An online file collection and storage software

- Easily uploads documents using 3 different methods: scanning, emailing and uploading a picture through the phone app.
- Connects your bank accounts – automatically downloads PDF

TMFD has been leading the way in cloud-based bookkeeping for a number of years and is one of the largest Canadian partners with each of these platforms. As a TMFD client, you will have complete access, ensuring your time and attention is spent on practicing dentistry and growing your practice.

Please contact TMFD Financial to explore the option of cloud-based bookkeeping for your practice.



DEEP DHALIWAL, Senior Accountant

Deep joined the TMFD Financial team in 2016 and brings with him eight years of accounting experience. Deep is currently in the process of completing his CPA and in his spare time, enjoys travelling with his wife.



MERCY KEDIDA, Associate Accountant

Mercy joined TMFD Financial in 2016. She brings five years of experience in bookkeeping and accounting services. Having an honours degree in sciences from York University, Mercy was introduced to accounting while running her own small business. Since then, she has completed all the CPA PREP modules and is now pursuing her CPA designation. Mercy specializes in personal and corporate accounting which includes preparing financial statements, preparing corporate and personal tax returns.



COMMON MISTAKES IN WILL PLANNING

As lawyers who practices solely in the preparation of Wills, Powers of Attorney and Trusts in Ontario, we have been asked to review many Wills. Despite the amount of time and consideration someone may have put into creating a Will, we often encounter sections that need to be reassessed. Here are some of the most common errors found within these documents:

1. “I revoke all previous testamentary dispositions made by me.”

Many Wills begin with this phrase and it is a common and often inadvertent error. It means that not only all previous Wills, but also all previous designations of a beneficiary on RRSPs, TFSAs and insurance are revoked, thereby potentially subjecting those assets to probate tax.

2. Marrying after Making a Will

Unless a Will is made ‘in contemplation of marriage’, marrying after you have made a Will revokes your previous Will, thus causing the laws of ‘intestacy’ (dying without a Will) to take over. The laws of intestacy may not distribute your assets at death as you wish, and you also need to consider the additional legal fees, delay, and potential taxes paid as a result of dying without a Will.

3. Divorce

Although divorce causes one’s Will to be read as if the person’s former

spouse has already died, it is still imperative to revisit a Will once one has divorced, because divorce has no impact on beneficiary designations, and may not correspond with the obligations of a

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separation agreement which divided certain assets, and required certain distributions, upon the death of the individual.

4. Designation of Beneficiaries

The designation of a beneficiary on a product (RRSP, TFSA, insurance) only catches those products in place at the time of making the designation. Accordingly, if the designation is done in a Will, and a new RRSP is later opened, the designation made in the Will does not apply to the new RRSP.

5. Anti-Lapse Rules

In Will drafting, one must always provide for what happens if a beneficiary does not survive the will-maker. This is not only important because of completeness, but because of the “Anti-Lapse Rules” in Ontario. These rules provide that a gift made in a

Will to a child, a grandchild, or a sibling that does not state what happens if that individual has predeceased the will-maker, will result in the gift passing to that individual’s spouse and/or children. This can be a problem if the will-maker does not want the gift to go to such other persons.

6. Improper use of the term “Per Stirpes”

The term “per stirpes” often used in Wills means ‘per branch’ and is used to refer to a distribution that extends to one’s lineal descendants if an heir in the previous generation has predeceased the will-maker. This term is often used erroneously to reference a class of individuals in a single generation. A common will-drafting error is “among my children in equal shares per stirpes”, which is incorrect because the term

“children” does not contemplate further lineal descendants.

7. Holograph or Handwritten Wills

A holograph Will is a Will that is entirely in one’s own handwriting. These Wills (if valid) are often missing basic dispositive clauses and powers required by the executor to administer the estate. Holograph Wills are often subject to interpretation issues and therefore easily open themselves up to challenge and estate litigation, costing the will-maker’s estate far more than the cost of preparing a Will with a lawyer.

8. Not Meeting the Signing Requirements

Wills that are typewritten, such as those prepared by lawyers or by Will kits, must comply with the legislative requirements for signing. These requirements vary by province. If these legal requirements are not met, the Will is entirely invalid. This issue of not following the signing requirements often occurs when using Will kits or online Wills.

9. Limits on Testamentary Freedom

Although an individual can benefit whomever he or she wants in his or

her Will, there are limits on this freedom. The laws of Ontario limit a will-maker’s freedom in cases where the Will contains gifts that are found to be ‘against public policy’ – such as promoting racism, against the covenant of marriage, etc. Such a gift in a Will can be found to be ineffective if it is against public policy.

Hence, it is important to work with trusted professionals like TMFD Financial who can assist in identifying changes needed to your Will planning and refer to experts who can help.



AMBIE EDGAR-CHANA

Ambie is a trusts and estates lawyer who has practiced exclusively in this area of law since her Call to the Bar in Ontario in 2007. Ambie advises clients on tax-efficient will and estate planning, business succession planning, family and alter-ego trusts, and estate administration. Ambie is an active member of the estate planning Bar. She is the author/editor of O’Brien’s – Wills and Trusts, Division V, one of the foremost resources for estate planning lawyers. She is the President of the Estate Planning Council of Toronto, is a former executive member of the Ontario Bar Association, Trusts & Estates section, and has her designation as a Trust and Estate Practitioner (TEP) with the Society of Trust and Estate Practitioners.



AARON EDGAR

Aaron advises clients on estate planning and estate administration matters as part of his estates and trust practice. In his estate planning role, Aaron meets with clients to ascertain their estate planning goals and drafts tax-efficient planning documents, including Wills, Powers of Attorney, and inter vivos trusts. Aaron also assists clients with obtaining probate (Certificate of Appointment) and provides general estate administration advice.

TMFD **Financial**

Helping dentists
build wealth

Accounting* | Planning | Coaching

Tax* and Financial Planning
Incorporation and Practice Transition
Practice Management
Payroll and Accounting*
Insurance Planning
Retirement Planning
Wealth Management
Estate Planning

For over 30 years, TMFD Financial has been providing dentists and dental specialists with complete tax* and financial solutions. We work with new graduates, associates, established dentists and dentists transitioning or in retirement.

We are proud to be leaders in the industry, but our client's satisfaction is our truest measure of success. To all of our clients,

“THANK YOU FOR PLACING YOUR TRUST IN US.”

*All tax and accounting services provided by TMFD Professional Corporation, Chartered Professional Accountants

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Dr. Michael Proctor



As we all know, running a dental practice and devoting time to family can be all consuming. When it came time to address things long neglected, such as establishing proper wills for my wife and I, TMFD was invaluable in introducing me to people to make this happen. Nearing the time to sell my practice, I once again could turn to them with confidence in their suggestions for practice management advice through their Practice Coaching team, to streamline and more efficiently productively run my hygiene department, as well as directing me to competent legal counsel and working with them to properly structure the sale. I am very grateful for all TMFD has done and look to my retirement with confidence, knowing I will be able to rely on their advice.

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Dr. Leny Sferlazza, DDA, MAGD



Mike Lakhani and his extraordinary proficient team have been extremely helpful with my professional and personal finances. From forming a corporation for my dental practice to estate planning, the process was thorough and comprehensive. The strategies have greatly reduced my taxes and increased my retirement savings. I have been most impressed with the absolute competence of the people I have had the privilege to work with.

Book your complimentary consultation today | www.tmfd.ca | info@tmfd.ca | (844) 311-8633