

# The Partner News

BC Partners In Planning's Client Newsletter

## New Capital Gains Inclusion Rates and Their Implications

The recent federal budget brings substantial changes to the taxation of capital gains, impacting individuals, corporations, and trusts. These changes, effective June 25, 2024, will alter the way capital gains are reported and taxed, resulting in a shift in overall tax liabilities.

### Impact on Individuals:

For individual taxpayers, the capital gains inclusion rate will rise from 50% to 66.67% on gains exceeding \$250,000. This means if an individual realizes capital gains above this threshold, the portion of those gains exceeding \$250,000 will be taxed using the new higher inclusion rate. This adjustment will apply to the same range of capital properties, such as residential and commercial rental properties, shares in private companies, stock portfolios, and other assets that create a capital gain. Notably, the principal residence exemption maintains its tax exclusion status, meaning that gains from selling your home will not be subject to the new rules.

The CRA's primary goal is to target high-income earners with substantial capital gains in non-registered portfolios year over year. However, this impact is not limited to just the top 1%. For instance, at the time of a taxpayer's death, all assets deemed to have been disposed of at fair market value will be subject to the new inclusion rate. This means individuals with significant unrealized gains in non-registered assets will face the 66.67% inclusion rate on amounts exceeding the \$250,000 threshold. As a result, these changes could affect estate planning and inheritance scenarios, potentially leading to higher taxes for beneficiaries and estates.

### Impact on Corporations and Trusts:

Corporations and trusts will face a more pronounced shift in taxes as they will be subject to the full 66.67% inclusion rate for capital gains. This means that all capital gains realized by

these entities will be taxed using this higher inclusion rate, representing a significant increase from the previous 50% inclusion rate.

### Tax Comparison:

To provide a clearer picture of these changes, let's consider a scenario where \$1,000,000 in capital gains is realized in a non-registered portfolio.

Under the previous tax rules, an individual's effective tax rate on these gains would be approximately 26.75%. With the new inclusion rate of 66.67%, this effective tax rate will increase to around 33.44%.



In contrast, corporations and trusts will see their effective tax rate rise to approximately 35.67%. This rate is higher than that faced by individuals due to the lack of any reduction in the inclusion rate for these entities.

These changes mark a significant shift in the taxation of capital gains, with varying impacts on different taxpayer groups. While high-income individuals with large capital gains will experience increased tax liabilities, corporations and trusts will face the most substantial adjustments. Taxpayers will need to reassess their financial strategies and planning to navigate these new rules effectively.

## Who's Behind the Books?

### Logan McLean, CPA - Senior Accountant & Financial Planner

In this edition, we had the chance to talk to Logan, one of the Senior Accountants and Financial Planners at BCPIP.



**BCPIP:** Can you tell us little bit about yourself?

**Logan:** I was born and raised on the North Shore. I went to UBC Sauder School of Business and obtained a Bachelor of Commerce with a specialization in accounting. While going to UBC I attended study abroad programs in both England and France, which I absolutely loved! After I graduated, I worked at EY in audit and assurance where I completed the training and education for my CPA designation.

**BCPIP:** That sounds like you've had some great adventures! What made you choose to go into accounting?

**Logan:** I always enjoyed math, numbers, and problem solving while growing up. I'm also a people person and accounting felt like the right fit. I went for informational interviews with a few contacts in my network who were working in various business roles in different industries to hear about their positions while I was selecting my specialization at Sauder. I was fascinated by the career paths of the CA's who I spoke with at the time. They all told me that accounting involved much more than just crunching numbers and discussed the versatility and all the opportunities for growth within the industry with the designation.

**BCPIP:** How long have you been at BCPIP? What does your work life include?

**Logan:** I've been at BCPIP for four years now. My work life includes both financial planning and accounting/taxes. During our busy season, I review personal, trust, and corporate tax returns and communicate frequently with clients. Throughout the year I work on various financial planning and tax planning engagements. I also mentor our junior staff

and assist them with their work for client engagements.

**BCPIP:** Wow, quite a bit of variety! Out of all that you do, what is your favourite part of your role and BCPIP?

**Logan:** My favourite part of my role is working with clients to create a meaningful impact on their businesses and personal financial affairs, empowering them to take charge of their financial future. I enjoy problem solving and coming up with solutions to best fit each client's unique needs. My favourite part about BCPIP is the staff. We all work together well as a team to assist our clients with their particular needs. Everyone is very collegial, and we participate in activities outside of the office together such as skiing, hiking, and cycling.

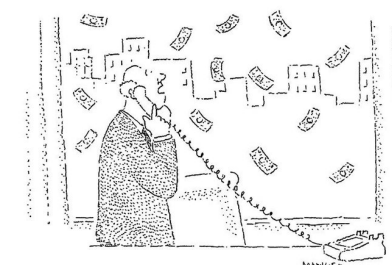
**BCPIP:** How do you like to spend your time outside of work?

**Logan:** Outside of work, I enjoy being active and cooking/baking. I like to hike, ski, bike, snowshoe, participate in water sports, and play tennis. I also recently joined a women's hockey team. My boyfriend likes to take me golfing and give me lessons. You can often find me in the kitchen experimenting with new recipes and batch cooking for the week ahead. I volunteer as a Peer Supporter for a type one diabetes (T1D) support group, I am actively involved in patient advocacy for the T1D community, and I am a co-author for a published scientific manuscript.

**BCPIP:** Do you have any big plans going forward?

**Logan:** Since I recently passed my CFP designation exam, I am looking forward to honing my financial planning skills and gaining further knowledge in the financial planning world. I enjoy learning and improving my skillset and knowledge, so I am sure down the road there will some additional courses and potentially more letters added to my name.

**BCPIP:** Thank you Logan for taking time to interview with us. We look forward to seeing what letters you add to your designations!



"Upstairs is throwing capital gains tax out the window."



## Investor Profile

### Cindy Huang, CFA — Portfolio Manager at Leith Wheeler

Leith Wheeler is an investment counsel firm based in Vancouver, but with offices across Canada. In this issue, we spoke with Cindy Huang, a portfolio manager in the Vancouver office.



**BCPIP:** Welcome, Cindy. We are excited to get to know more about you and Leith Wheeler! Can you tell us why you decided to work in finance and get your CFA?

**Cindy:** Well, I didn't actually think that I would end up in finance! I went to McGill University and majored in marketing with a minor in entrepreneurship. After University, I moved back to Vancouver where my family lived and pursued some marketing roles, but quickly realized that marketing wasn't for me. I joined Leith Wheeler as a portfolio administrator which was my introduction to the industry. After a few months, I was promoted to an Institutional Associate which prompted me to pursue my Chartered Financial Analyst (CFA) designation. Five years later, I joined our wholesaling team, which led to my current role as a Portfolio Manager on our Private Clients and Foundations team.

I am fortunate to have explored these different opportunities and feel I've finally found my calling, working with high-net-worth families and foundations. I find it very rewarding to help clients with financial planning and investing for their long-term goals. Whether I'm working with retirees to ensure that they have enough cash flow for their retirement, or helping younger investors and entrepreneurs develop customized investment strategies, I feel fortunate to be a part of their team of trusted advisors.

**BCPIP:** What's been the best part of being at Leith Wheeler?

**Cindy:** One thing that drew me to Leith Wheeler was the culture and I think the fact that we are 100% employee-owned. Being independent also differentiates us from many other firms. The employee ownership helps us be aligned with our clients in terms of their best interests, because when they do well, we do well. We care about our clients and you really see that in our company culture, which is wonderful to be a part of.

**BCPIP:** How have you seen Leith Wheeler develop since you've been there?

**Cindy:** Leith Wheeler was founded in 1982 by Murray Leith and Bill Wheeler. I joined the firm in 2012, and have seen our assets under management grow from \$12 billion to ~\$26 billion today. During my 12 years here, we've definitely seen growth, but it's been steadily managed and we have been able to avoid compromising our clients' interests. This growth has been significant for sure, but we have been strategic in terms of not allowing this growth to compromise the competitive position of our clients' investments. Our team has also expanded from 60 to nearly 100 employees, which like anything has its share of growing pains as we ensure we have the right people and infrastructure in place. Our employee ownership model and putting clients first drives our culture to this day.

**BCPIP:** Oh wow, that's a lot of growth! What investment areas does Leith Wheeler specialize in?

**Cindy:** Leith Wheeler is well-known for its internally managed Canadian equity strategy, a core part of our balanced offering for decades. We also have a very strong fixed income team, and we have won several large institutional mandates in that space. More recently, we've launched internally managed US small and mid-cap equity and global equity strategies. Additionally, we invest in emerging market equities through a sub-advisor, and entered the private asset space in 2018, covering areas like infrastructure, real estate and private debt.

**BCPIP:** What do you enjoy doing outside of work?

**Cindy:** Outside of work, I enjoy biking with my family and taking our 18-month-old son on adventures around the city. I also enjoy summer activities like wakesurfing and beach volleyball.

**BCPIP:** That sounds very fun! What are your plans for the future for both yourself and Leith Wheeler?

**Cindy:** I hope to continue building my practice and helping clients achieve their long-term investment objectives. I also want to do some travelling. My family and I have a trip planned for November to visit relatives in Taiwan, and have a side trip planned to Japan which we are very excited about.

**BCPIP:** Thank you so much for taking the time to tell us all about you and Leith Wheeler. We hope you enjoy your trip to Taiwan and Japan!

## Client Profile

### Bill & Dorothy Genge —Retirees

Bill and Dorothy have been long time clients of BCPIP. Having experienced many adventures over their lifetime, we had a chance to check in and see what was next for them.

**BCPIP:** Can you tell us about yourselves?

**Bill:** Dorothy and I met in 1968 in Kamloops. I started my first job as a pharmacist in the hospital pharmacy, and Dorothy was finishing her final internships as a physio/occupational therapist. We had our first date the weekend after I met her, and got married 2 years later in 1970. We both worked for a year and then went traveling to some fascinating places like Ethiopia, Kenya, Uganda, and South Africa. We hitchhiked around and had marvelous experiences. When we got back from travelling, we moved to Nelson for my job, and Dorothy began working in the health unit. In 1974, we had our first child and in 1975 we moved to Kelowna and have lived here ever since!

**Dorothy:** I was a combined physio and occupational therapist and practiced until my first daughter was born, when I became a full time mom. I began volunteering in the medical field, either at the hospital or the health unit, which I still do to

this day. In 1979, we adopted three week old twin boys, which was quite the adventure in itself. We now have four lovely grandchildren.

**BCPIP:** That's so cool! what were your careers like?

**Dorothy:** What I enjoyed most was helping people be as independent as they possibly could in spite of injuries or disabilities. I didn't really plan to not work, but with kids it was the right thing to do for our family and volunteering was rewarding. I remember working with kids in the pool and experiencing them walking for the first time because they had the buoyancy of the water to help them. It felt very exciting to see this progress.

**Bill:** My interest in becoming a pharmacist started with one of my first jobs working as a clean-up and delivery boy at a local pharmacy. I liked the lifestyle of the pharmacists, and, combined with my interest in science and medicine, lead me to pursue this career. I ended up working in a professional pharmacy and I really enjoyed my role, and the interactions with my colleagues and customers.

**BCPIP:** What has been your favourite part about living in Kelowna?

**Bill:** We enjoy the seasons. We love the winter because we cross country ski and



snowshoe. For many seasons, Dorothy and I have volunteered teaching school kids how to cross country ski, which is really fun. We like to make the most out of the seasons here.

**BCPIP:** What has been the best part of retirement?

**Bill:** Since retiring, we have done some marvelous travelling. Primarily with a travel agent who organizes small groups and knows the best places to go and the best things to do.

**BCPIP:** That's awesome, do you have any plans for the future?

**Dorothy:** We have a September trip to PEI planned, with a friend. We are planning to walk for about 12 days along a trail that circumnavigates the island. We are really looking forward to it.

**BCPIP:** Wow, that sounds like it will be an incredible adventure! Thanks for taking the time to talk to us!

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