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LONG LIVE YOUR MONEY

Keeping the Cottage in the Family

A country place is a symbol of relaxation, continuity in life, and family harmony. But when the topic of ownership succession is raised, that lovely spot can be transformed into a source of stress, uncertainty and family strife

Anthony Layton MBA, CIM

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Letter from Anthony Layton

Cottage succession, along with other estate planning issues, is among my professional specialties. After decades of helping families confront and solve the cottage-succession problem, I decided to put pen to paper and document this knowledge. The result is Keeping the Cottage in the Family, a detailed review of everything a cottage owner should consider when contemplating what happens when it's time to pass on the property to the next generation.

A succession plan can only be produced with the help of seasoned professionals who are familiar with the many pitfalls common to this challenge. I would like to thank Tom Burpee, Morris Jacobson and Matthew Elder for sharing their considerable expertise in the preparation of this article.

Sincerely,

Anthony Layton MBA, CIM
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Anthony Layton is a founding partner, Chairman, CEO and portfolio manager at PWL. Knowing that trust is essential to building strong relationships with his clients, he takes great care to understand their needs before providing comprehensive analyses and sound advice. His 35 years in wealth management have provided him with an in-depth knowledge of portfolio principles that he applies for the benefit of each of his clients.

Since 1980, Tony has been committed to the establishment and growth of wealth management in Canada through independent and conflict-free financial services firms. Recently he has contributed to the establishment of GAIA (The Global Association of Independent Advisors), an international association of firms dedicated to fiduciary excellence. He is a past National Chairman of the Canadian Association of Financial Planners (CAFP, now Advocis).

Tony volunteers his time and energy with a number of organizations, including McGill University's Desautels Faculty of Management, the Nature Conservancy of Canada (NCC), the Hillside Tennis Club, and the Anglican Diocese. He enjoys spending weekends with his family at his cottage in the Laurentians and plays a very active role in the Lac Brulé Owners Association. Tony is also a material shareholder and a Director on the Board of Agile IP, a VoIP phone system provider.

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It’s a place full of good times and fond memories, but the fun often ends when deciding what to do with it after your death, or when you are unable to cope with it during your later years

Determining the fate of the family cottage, chalet or whatever you call your second home represents perhaps your biggest estate-planning challenge. Much as you love weekends and vacations at the lake, ski chalet or the farm, determining who will eventually take over the place after you die or can no longer look after it is likely to be an angst-ridden experience.

We somehow believe in our hearts that things will work out and everyone will continue to enjoy the cottage's pleasures. But it's a fact that parents and children/heirs rarely give much thought about what will happen to the place until the situation becomes critical, either when mom and dad no longer want or are able to use the place, or when the last parent dies.

There are many issues to consider when assessing a cottage property's future, a task made all the more difficult by the fact no one situation is the same. There is no one-size-fits-all solution. However, it is possible to identify typical situations and a range of solutions. We will first address the fundamental issue of whether someone will actually want – or be able – to take on the place, especially if various circumstances have changed. Assuming the answer is yes, we'll go on to examine:

- When a property should be transferred to the next generation
- How the property is valued for transfer purposes
- Determining capital gains tax and how best to pay it
- Using the principal residence designation for a second home
- The benefits of trust ownership
- Shared ownership: How to create a fair and flexible agreement
- Possible use of a nature conservancy

This report is intended to provide the necessary background that will enable you to bring all relevant issues to the table when discussing the cottage situation with your family. It also will allow for a more efficient and thorough communication with your financial planner. A planner experienced in cottage succession and other estate planning matters is an invaluable partner in your quest for a fair and solid solution. To this end, he or she will draw upon the expertise of accounting and legal specialists in this area, co-ordinating what is actually a project that encompasses a range of financial and legal tools.

A responsibility as well as a privilege

The first step is to ask your children or other heirs about their future commitment to the cottage. You'll likely learn they all want to take it on, or have a piece of it. Or at least they think they do.

A cottage is a flashpoint for emotions. The longer it's been in the family, the greater the attachment. Many of our fondest memories of growing up are at the cottage. It's where we took our first swimming strokes, where we learned to play Monopoly, where we learned how to paddle a canoe or hammer a nail, or where we first got on skis. It may also be where we spent a lot of time with our grandparents. We want the cottage to be part of our lives forever, and our children's too.

But things can change, including the cottage experience itself. In fact, you might find that real-world circumstances have reduced the property's appeal to the next generation. You and your offspring may have become so consumed by who gets the cottage that you haven't stopped for a moment to honestly evaluate everyone's interest in the place and the ability or commitment of one or more heirs to take it on.

In fact, you might find you don't actually have a cottage succession problem. Cash proceeds from a sale are much easier to divvy up than a piece of real estate.

"Leaving cash also avoids potential problems of children not getting along, children separating, children with unequal wealth – only some of whom can afford to own part of the property – and children moving to the United States after they become owner [which would trigger new tax-planning challenges]," says ***Tom Burpee***, an accountant specialized in taxation and estate planning.

Such potential developments can lead to a new round in the cottage-succession debate.

So before taking everyone's wishes at face value, here are some things to consider before moving forward:

Wealth: The children as individuals may not be as wealthy as their parents and grandparents. This could be due to less lucrative earnings or simply the result of family inheritance being watered down from one generation to the next. In many cases, when push comes to shove, heirs will recognize they need an inheritance of cash, not property.

Ownership costs: Further tightening the financial screws are skyrocketing property valuations and accompanying tax increases. It costs more to have a tree cut down or have a long driveway plowed. Plus it costs much more to gas up the car to get there, not to mention running the motorboat.

Proximity: It's not unusual for one or more children to move away for reasons of career or marriage. When the place ceases to be a practical weekend destination, its overall appeal is diminished.

Time: Retired parents have lots of time to look after the property; their children normally do not.

Marriage: Your daughter might love the place, but your son-in-law has a family cottage elsewhere or is strictly a city guy. Or it's a matter of financial priority, where the spouse would prefer spending money on the primary residence and accompanying lifestyle than on rebuilding boathouses or adding insulation to the old family house's attic.

Surroundings: There's more than one story of a once-peaceful lake now overrun with "personal watercraft" or an isolated farm now crowded by mass development. In recent years, some major lakes in eastern Canada have been "closed" entirely to swimming and boating due to environmental concerns. In short, the cottage experience might not be what it used to be.

New zoning restrictions: Changes to local laws and building codes may restrict how the property can be used going forward, which may deter others from wanting to take on the place.

It's amazing how one's view of the family cottage can change once a user is forced to contemplate the specific realities of becoming an owner. As often is the case in our society today, the reality check comes in the form of money. In short, expenses – both

routine maintenance and capital improvements – were not part of the kids' or other heirs' cottage experience.

Get a head start

The traditional advice to owners of cottages and other recreational property is to plan for the future as soon as possible. In addition to clearly identifying the responsibilities of ownership and determining who really wants the cottage, you will have to address crucial and often complex taxation considerations, in particular how to minimize the capital gains tax that will be payable upon the future transfer or sale of the property.

Cottages, like most real estate, almost always rise in value over the years, and often produce a sizeable profit when the time comes to sell or transfer the property. One half of such profits are subject to capital gains tax at the seller's/transferor's marginal tax rate. There are two exceptions.

- Capital gains tax is not payable if the property is designated as your principal residence.
- If the property is transferred to your spouse , the tax liability can be deferred until the spouse eventually sells or transfers the property.

Some families tackle the tax bear right away and place the property in their children's or grandchildren's names at the time of purchase, or transfer it to them soon after buying it. Owning a cottage in the name(s) of children or grandchildren defers all or most of the future capital gains tax liability on the property's expected gain in value by a full generation or longer. Under such an arrangement, it is common for the sale documents to specify that the parents or grandparents will retain unlimited access and use during their lifetimes. While this can be achieved through a letter of agreement, a more formal legal structure is joint tenancy with the right of survivorship, in which the property transfers to the joint owner upon death. This has the added benefit of bypassing probate fees normally payable in provinces except Quebec, where such fees do not exist.

This, of course, assumes the next generations will be able to – or even be interested in – owning and using the property later on. While immediate or early transfer to a later generation might produce an early solution to the "who gets the cottage" conundrum and provide a lengthy tax deferral, you might be jumping the gun when making such a momentous decision. Who's to know whether a young son and daughter will still be living within practical range of the cottage when they grow up and have families of their own, or if their future lifestyle preferences would include cottage life?

What's more, if the transfer is not done within a few years after a cottage is first purchased, in most cases at least some capital gains tax will have to be paid. By keeping the property in your name, capital gains tax can still be deferred for a very long time – assuming you and your spouse have many years of normal life expectancy ahead of you and intend to keep the place indefinitely. In fact, keeping the assets in the original owner's name – and leaving it to the heirs in the surviving spouse's will – is often seen as a simpler and safer alternative to shifting ownership to a younger generation.

There are caveats to simply leaving the property to your spouse and assuming the property will eventually pass to your children or grandchildren. For one, a will can be changed. And if a widow or widower remarries, depending on the will – and on family patrimony laws and a marriage contract – there may be property rights in favour of the new spouse and it is possibility the children of the first marriage could have their rights postponed or annulled altogether. Such problems can be avoided through careful planning with a professional.

Planning closer to the event

If you haven't planned the cottage succession in advance and now are facing the reality of having to do something, you may decide that the ownership status quo often is a good arrangement. This may be the case if the children will continue to use the place regularly, and the parents are able and content to continue as owners, including covering the costs. But one or more of the kids will have to take on the role of co-ordinating the property's upkeep, including maintenance and keeping track of utilities and other services and ensuring the bills are in fact paid. And it is likely this new reality will force discussion of the issue of ultimate succession.

Often, the actual transfer of ownership doesn't take place until the last parent dies. Depending on circumstances, this can be the best – or the worst – time for this to occur. The provisions in the will dictate the property's fate. If the succession has been thoroughly discussed, consensus reached and the circumstances of the transfer carefully planned, the will is simply the final act. But if nothing has been decided and the property is lumped into the overall estate – with equal ownership awarded to each heir without discussion among everyone – there almost certainly will be some fireworks. It's the price to pay for procrastination or avoidance of the subject.

Unless all of the heirs can agree that they do, in fact, wish to share ownership equally – and everything that comes with it, including splitting use and expenses – a decision will have to be made promptly. On the bright side, at least circumstances finally force each potential successor-owner to confront the real prospect of ownership. The result often is that one or two of the children take on ownership and "buy out" the other siblings. On the dark side, however, waiting till death to sort out the property's fate means you may have many more people involved. At this stage, the grandchildren's interests in eventually using the cottage are almost always a factor. And if one of your children predeceases you and they have children, then they normally are direct heirs, further complicating the cottage succession question.

If the value plus tax liability exceed an equal share of the estate, then the successor owner(s) will be forced to buy out the siblings that have opted out of ownership. Should they not be able to afford it, even with financing, then the property must be sold. This is an extreme outcome that almost certainly will produce bitterness between the would-be owner(s) and the opted-out sibling.

Another significant problem with co-ownership among people who might not have common views on the property's use and future is the ability of one co-owner to force unilaterally the sale of the property. For example, Quebec law gives a co-owner the right to force the partition of the property and thus requires the co-owners to buy out the exiting owner – even if it means selling the property to raise the cash for this purpose.

The capital gains tax problem

Once it has been decided who will take on the cottage, you have to tackle the tax bear. As mentioned earlier, you don't need to address this if you transferred ownership to a younger generation years ago. But in the more typical situation where a property is passed on during the parent's senior years or at the time of death, tax planning is an urgent task that requires the expertise of an accountant or lawyer well versed in this area.

A capital gain is triggered whenever a property is sold, or deemed to be sold – such as on the death of the owner. An exception is where it is left to the spouse, in which case it is transferred tax-free and the property's original adjusted cost base remains in place. This means tax would eventually be payable by the surviving spouse on the capital gain from the time the property was acquired until it is sold, or transferred to a younger generation.

Capital gains tax can be escaped altogether if your country property is eligible for the principal residence exemption – and it makes sense to claim it as such. So before worrying about ways to defer capital gains tax, you first should evaluate the possibility of declaring the property as your principal residence. While an individual (or a married or common-law couple) may claim only one home as a principal residence, in many cases you can choose between a city and country home. It's fairly easy to meet the tax man's definition of what qualifies: the dwelling must have been "ordinarily inhabited" by the parent or relative during any part of a year for which the exemption is being claimed. Normally up to one-half hectare (about 1.25 acres) of the land surrounding the house is considered part of the principal residence. However, more land can be included if it is considered to have contributed to the "use and enjoyment" of the residence. For example, it could be argued that a few acres of additional land are essential to provide adequate privacy, or are needed to provide road access to the house or access to the lake from the house.

Use the exemption, or pay the tax?

A bigger issue is whether it makes sense to claim the cottage instead of a city home. The decision is based on each property's increase in value since capital gains taxation was introduced more than 40 years ago. The exemption normally should be used for the property that is showing the biggest gain on paper. Traditionally this was the city home, but this might not be the case if the country property is on prime land and has been owned for decades.

A property can be designated a principal residence for any individual year – or not. Thus it is possible to analyze historical values over time and determine in which years it was advantageous to designate one house or the other as principal residence. However, this is a complex process that requires a year-by-year review of both properties' historical market values. The principal residence designation decision is a complex process, and should only be made with the assistance of your financial planner, in conjunction with a tax expert and qualified real-estate appraisers.

This decision on which home to claim cannot be made without doing a thorough calculation of the capital gains based on each property's acquisition cost (known in tax terms as the "adjusted cost base") and its disposition value (the higher of the current fair market value or actual sale price). Be sure to do everything

possible to calculate a gain that is accurate and as low as possible. Remember, capital gains taxation was introduced on January 1, 1972, so if you owned the property prior to then, the gain is calculated beginning on that date.

It is relatively simple to determine the disposition value. The capital gains tax rules are ironclad when it comes to reporting a property's sale price or transfer value. For arm's length transactions—where the buyer and the vendor are not related—the sale price is used. But for non-arm's length transactions—which is the subject of this report—transactions must always be based on the property's fair market value. The acquisition and disposition values cannot be inflated or deflated to suit your tax-saving needs.

"Fair market value is what counts and, as such, a valuation of the property should be executed," says ***Morris Jacobson***, a lawyer specializing in taxation and estate planning, and partner with ***Spiegel Sohmer*** in Montreal.

However, things get complicated when determining the adjusted cost base. The value of any capital improvements made during ownership can be used to reduce the amount of the capital gain you will report. While this work likely will have increased the property's value, you can apply the total value of improvements to increase its adjusted cost base, thus creating the equivalent of a higher acquisition price. This in turn will reduce the amount of the capital gain that is exposed to taxation.

Even if you don't have receipts from contractors or for materials used in various improvement projects, you'll need to make a list of everything you've spent on capital improvements. You must differentiate between ongoing maintenance and building improvements. For example, simply repairing a deck by replacing a few rotten boards might be considered maintenance, while replacing or upgrading the structure to make it better or larger would be an improvement. Renovations to the house aren't the only expenses that can be used to reduce the adjusted cost base. You also can include those related to the property's acquisition, such as house inspection, realtor commissions, notarial and legal fees, land-transfer taxes, and utility connection fees.

If you made use of the maximum $100,000 capital gains exemption (which was available to individual taxpayers until February 22, 1994) to reduce an accumulated capital gain on the property, don't forget to include this in the calculation. Owners of capital property such as real estate or stocks were allowed to "crystallize" any paper gains to the extent of their unused exemption amount. Note that you cannot use this exemption retroactively; you must have completed a special form when you filed your 1994 income tax return. The capital gains tax payable on the actual transfer of the property is based on the new adjusted cost base set at the time the exemption was used.

A couple with two residences

Consider the case of a couple that purchased a city house in 1955 for $22,000 (see the accompanying table.) In 1964, they bought a cottage on a large lake for $20,000. At the beginning of 1972, the capital gains taxation system was introduced. By that time, the value of the city house had increased to $80,000, while the cottage was worth $40,000. In 1981, the rules for designating a principal, residence were changed to allow only one principal residence per couple. The values of the two properties had leaped to $180,000 (city) and $80,000 (cottage). More than three decades later, the couple has decided to transfer ownership of the property to the next generation. Their three children are all married with children of their own. Real estate values have shot up in both their city neighbourhood and cottage region.

For tax- and estate-planning purposes, the couple had a professional property evaluator prepare appraisals on both properties. The city house is now worth approximately $1 million and the cottage about $700,000.

Both properties can be sheltered from capital gains made between the beginning of 1972 and the end of 1981, with the husband designating for tax purposes the city house as his principal residence, and the wife designating the cottage as her principal residence. The unrealized capital gain on the city house, then, is $820,000, while the cottage's gain is $620,000. In this case, it makes sense to designate the city house as the couple's principal residence from 1982 onward, and pay capital gains tax on the cottage transfer. (Had the city house been less, then it would have made sense to apply the exemption to the cottage.) One half of the $620,000 gain on the cottage is taxable. Given that the property is jointly owned by both spouses, the $310,000 taxable gain will be split evenly between them. This gain is taxed at the couple's respective marginal tax rates. The highest combined tax liability would be about $155,000. And decrease depending on the couple's taxation rates.

CAPITAL GAINS ANALYSIS (example only)

4-bedroom winterized cottage on large lake within 120 km of Montreal; 300 feet of lakefront

		CITY			COUNTRY		
		Value	Cumulative capital gain	Taxable capital gain	Value	Cumulative capital gain	Taxable capital gain
1955	City house purchased	$22,000					
1964	Cottage property acquired	$50,000			$20,000		
1972	Cap-gains tax introduced	$80,000			$40,000		
1981	Dual principal residence rule ends	$180,000			$80,000		
1990		$350,000	$170,000	$85,000	$200,000	$120,000	$60,000
2010		$650,000	$470,000	$235,000	$350,000	$270,000	$135,000
2015		$900,000	$720,000	$360,000	$600,000	$520,000	$260,000
2017	Transfer of cottage property	$1,000,000	$820,000	$410,000	$700,000	$620,000	$310,000
	Tax @ 50% rate			**$205,000**			**$155,000**

The taxman must be paid, one way or another

Often we hear of people "gifting" the cottage to one of their children. No tax was payable, the story goes, because it was simply a gift. But this almost certainly is not a true story – or if it is, it's missing a final chapter on the tax outcome. Most likely, capital gain tax was, in fact, quietly paid by the parent when their tax return was filed for the year of the ownership transfer. If they did not and chose to ignore the transaction for tax purposes, it's likely that sooner or later the tax man – having visited your area's land registry office – will come calling. Not only will you be forced to pay the outstanding capital gains tax, you'll have to pay a penalty as well as interest on the unpaid tax. Transfers of expensive recreational properties are a target area for tax department auditors, so it's unlikely any significant transfer will go unnoticed by the Canada Revenue Agency or Revenu Québec.

For residents of provinces other than Quebec, legally structuring a property transaction as a gift or as a "$1 plus considerations" sale is sometimes considered as a means of escaping probate fees. These are a de facto estate tax charged by Ontario and other provinces except Quebec on the value of an estate as of the date of death. But, again, the only figure that will have any meaning to the tax authorities, in such transactions, is a property's fair market values.

Capital gains tax is payable by the estate when a deceased person's final tax return is filed for the year of death. It is the responsibility of the executors to ensure that taxes and other liabilities are paid, even if it means selling off some of the estate's assets to settle those accounts. A popular means of covering the cost of capital gains tax at death is to purchase a life insurance policy with a benefit equal to an estimate of the tax liability. However, this option should be considered earlier in life, as life insurance becomes more expensive as you get older, and prohibitive in your senior years. As with other specific planning areas, your financial planner will ensure this option is pursued with the help of an insurance expert familiar with covering capital gains tax liabilities.

Owning through a trust

In almost all cases, it makes sense for a country property to be owned directly by an individual. Direct ownership also can work for two or more family members, assuming money is not a problem and there is consensus on how to enjoy and maintain the property. The owners' names are both stated in the property deed, and tax and utility bills related to the property bear the names of all owners. However, problems can arise should a co-owner want out. While a good share-ownership agreement can allow for this possibility, as well as lay out the rules of the game as to how the property

is shared and used, in some cases ownership by a trust or corporation is a better alternative.

A number of families have transferred ownership of the cottage to a trust. This creates a separate entity within which the property's affairs can be conducted, under the direction of the trust's beneficiaries, who usually also are named as trustees. The trust also can hold a cash and/or investment account from which expenses can be paid. This structure also can provide a reasonable framework for the sale of the property should one or more beneficiaries want out. Note that a transfer of assets to a trust will trigger a capital gain, taxable in the hands of the transferor. Before setting up a trust, however, the tax and legal implications for each beneficiary must be analyzed based on their province or country of residence, ***Morris Jacobson*** says.

Trusts generally are taxed at personal taxation rates, and are able to make use of the principal residence exemption. However, a trust must pay tax on deemed disposition of the property every 21 years. Thus provision must be made to pay tax on the amount of any capital gain from the time the trust took ownership to the 21st anniversary of the ownership transfer.

If more than one person has a stake in the property through any of the above ownership formats and it is likely the various partners, beneficiaries or shareholders will not use the place equally, you can consider a fractional ownership or time sharing arrangement. However, this arrangement requires a detailed document that covers the rights and responsibilities of the users of the property on an ongoing basis.

Share-ownership agreements

Regardless of ownership format or equal or unequal participation, a properly set up shared-ownership agreement should include at least the following:

- How is the property ownership to be managed, and how will decisions be made?
- A usage schedule that recognizes prime periods based on weather or events.
- An estimate of annual maintenance and upkeep costs and a formula under which the owners will pay for this. A current bank account should be set up and funded by the owners to pay these bills. If the family members do most or all of this work, there may be issues if there is not equal participation.
- A plan for capital improvements. This must differentiate between what is needed versus what is wanted. An ownership agreement can suggest the property will be maintained in its current state, but eventually major work will need to be done that is above and beyond what is classified as annual maintenance and upkeep. For example, the roofing and siding will have to be replaced when they wear out. Ditto for plumbing and electrical fixtures. The nature and extent of necessary capital improvements needs to be clearly defined. The owners might also agree that the house and their enjoyment of it would benefit from improvements beyond the status quo. So a capital-improvement plan also could include such projects as adding a screened porch or even winterizing a summer house. It might make sense to set up an investment account to fund capital improvements.

- One half of the $620,000 gain on the cottage is taxable. Given that the property is jointly owned by spouses, the $310,000 taxable gain will be split evenly between them. This gain is taxed at the couple's respective marginal tax rates. The highest combined tax liability would be about $155,000. And decrease depending on the couple's taxation rates.

Use of a nature conservancy

Families that are committed to long-term ownership of the cottage property might want to consider placing a conservation servitude (known as an easement outside Quebec) on the property. This has obvious environmental benefits, but, more important for estate-planning purposes, depending on the nature of the servitude, it can be a means of reducing the property's value – and, in turn, result in lower capital gains tax payable when the property eventually is sold or transferred.

Perhaps more important, use of a nature conservancy and other servitudes/easements on the property can result in a lower property tax bill each year. Examples of servitudes or easements that can result in a lower municipal valuation are restrictions on building upon the property, such as limits on size, design, location and use. Specific to a nature conservancy, servitudes/easements can exclude use or installation of anything that might be construed as environmentally harmful, such as swimming pool or use of all-terrain vehicles. These are elements that a future owner might want to have the flexibility to enjoy.

However, some conservancy-related servitudes/easements could actually boost the valuation, such as anything that guarantees a view will be preserved or that trees cannot be cut in a certain area, thus protecting privacy in terms of sightlines and noise. Such restrictions likely would be of appeal to almost any buyer.

A conservancy servitude or easement may be set up through the Nature Conservancy of Canada (www.natureconservancy.ca) and requires that a property meet certain ecological criteria. These and other conservation agreements are used, according to the NCC, "to preserve wetlands, forests, prairies, rare plants and animals, wildlife habitat and scenic landscapes." So beyond reducing your tax bills based on the servitude, you must agree with the conservation aspect, which usually means no further construction or other development, no subdivision of the property, no cutting of healthy trees, and so forth. Remember, though, that a conservation servitude is a perpetual contract and thus you and your family must be completely committed to the concept.

A more extreme option is to donate land to the NCC through its Eco-Gift Program. Assuming the land is deemed by Environment Canada to be ecologically sensitive, the full amount of the property's value would qualify as a charitable donation. Moreover, no capital-gains tax would be payable on the disposition. In some cases, the NCC has purchased land, but this is an exceptional circumstance, as the NCC has limited financial resources.

An alternative is donating or selling the land to a local conservation group, which has been set up by some lakefront landowners' associations. Before considering a donation to such a group, ensure the organization has been approved as a registered charity by the Canada Revenue Agency and Revenu Québec.

Conclusion

Sharing the family cottage is a central issue when trying to determine cottage succession. But whether sharing is the succession solution, or sole ownership – and whether it be through direct ownership, a trust or even a corporation – it's important to ensure your intentions are covered in your will and power of attorney (or "mandate of incapacity" in Quebec). Take care when choosing those who hold power of attorney or a mandate, and when naming an executor in your will. These often are family members, but it also can be someone outside the family – but only if they are very aware of the your unique circumstances. In any case, to reiterate the initial point made in this report, make sure keeping it in the family is indeed the correct choice.

This report was written by Anthony Layton, PWL Capital Inc. The ideas, opinions, and recommendations contained in this document are those of the author and do not necessarily represent the views of PWL Capital Inc.

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"**Keeping the Cottage in the Family**".

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