A big drawback to a reverse mortgage for many homeowners is that the home may not be available to pass down to children at death. One option might be for a child to buy the home from mom and dad today and then enter into a lifetime lease. Consider a couple – Pam and Dave – ages 74 and 76, who have lived in their home for 41 years. They purchased the house for $120,000 and built an addition many years ago for an additional $70,000. Today, the home is worth about $500,000, but they can’t spend that built-up equity.

Ann, the couple’s only daughter, proposes to buy the home for the fair market value and rent it back to them at current market rates. There are several advantages for the two generations:

- Pam and Dave owe no tax on the sale, thanks to the $500,000 exclusion.
- The couple are no longer responsible for the real estate taxes. Although they receive no tax deductions, they were unable to use it anyway because they took the standard deduction rather than itemizing.

Ann will have rental income, but will also have offsetting deductions for insurance, real estate taxes, mortgage interest, depreciation and maintenance. When mom and dad no longer need the home, Ann can sell to harvest the appreciation, move into the house herself or continue renting the house for future income.

Anyone considering a sale of a home to a family member should be careful to

Nurturing a Family Tradition

Donald Travers

The couple are no longer responsible for the real estate taxes. Although they received no tax deductions, they were unable to use it anyway because they took the standard deduction rather than itemizing.

Pam and Dave would owe each month, but they can invest the sale proceeds for added growth.

Ann will have rental income, but will also have offsetting deductions for insurance, real estate taxes, mortgage interest, depreciation and maintenance. When mom and dad no longer need the home, Ann can sell to harvest the appreciation, move into the house herself or continue renting the house for future income.

Anyone considering a sale of a home to a family member should be careful to document the transaction, keep records of rents paid and seek the advice of an attorney.

*Residents of the United States

U.S.-based alumni and relatives can make donations including bequests
directly to the University under the United-States Income Tax Convention. Matching gifts, gifts from other American citizens or residents, or gifts from corporations, foundations, trusts and IRA accounts should be directed to the U.S. Foundation for Queen’s University at Kingston (Employer ID 52-1960422). Our U.S. Foundation is a 501(c)(3) tax-exempt organization recognized under the U.S. Internal Revenue Code.

The couple are no longer responsible for the real estate taxes. Although they received no tax deductions, they were unable to use it anyway because they took the standard deduction rather than itemizing.

Pam and Dave would owe each month, but they can invest the sale proceeds for added growth.

Ann will have rental income, but will also have offsetting deductions for insurance, real estate taxes, mortgage interest, depreciation and maintenance. When mom and dad no longer need the home, Ann can sell to harvest the appreciation, move into the house herself or continue renting the house for future income.

Anyone considering a sale of a home to a family member should be careful to document the transaction, keep records of rents paid and seek the advice of an attorney.

*Residents of the United States

U.S.-based alumni and relatives can make donations including bequests directly to the University under the Canada-United States Income Tax Convention. Matching gifts, gifts from other American citizens or residents, or gifts from corporations, foundations, trusts and IRA accounts should be directed to the U.S. Foundation for Queen’s University at Kingston (Employer ID 52-1960422). Our U.S. Foundation is a 501(c)(3) tax-exempt organization recognized under the U.S. Internal Revenue Code.

The Queen's Financial Planner is provided as a special service for U.S. alumni and friends of Queen’s University. The information and opinions contained in this newsletter are derived from sources believed to be reliable, but their accuracy cannot be guaranteed. Queen’s University and its employees and agents assume no responsibility for errors or omissions or for damages arising from the use of the published information and opinions. Readers are cautioned to consult their own personal advisors to determine the applicability of any information and opinions in this newsletter to their particular circumstances.Password: the maximum number of characters on a password which is in part by any means without the written permission of the copyright owner is forbidden.

The Queen's Financial Planner is provided as a special service for U.S. alumni and friends of Queen’s University. The information and opinions contained in this newsletter are derived from sources believed to be reliable, but their accuracy cannot be guaranteed. Queen’s University and its employees and agents assume no responsibility for errors or omissions or for damages arising from the use of the published information and opinions. Readers are cautioned to consult their own personal advisors to determine the applicability of any information and opinions in this newsletter to their particular circumstances.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

...keep your gift in the family.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.

Please contact the Office of Gift Planning if you are considering a legacy gift to Queen’s to ensure your gift can be accepted and used as you intended. Additionally, depending on the structure of your gift, it may be more advantageous to donate to a U.S. Foundation. Our office can provide advice regarding the best method of giving for your situation.
Nurturing a Family Tradition (continued from cover)

“I prefer to receive this booklet via e-mail. I have arranged a planned gift to benefit an association with Queen’s stretching back more than one hundred years. For them,” he says of his parents and grandfather. He himself has never married and has no heirs. Leaving something to Queen’s to commemorate John Cole and Don’s mother just seemed like the right thing to do.

Don’s gift to the University will include a substantial legacy that will help top up the endowment prize, an award given annually to a second-year undergraduate in mining engineering that was founded by his grandmother in 1955. It will also establish the Gwyneth Travers Internship to provide students from the Faculty of Arts with the chance to work or take classes at the Agnes Etherington Art Centre. Says Travers, “If there are people who are interested in this type of work and talented, I’m happy to support them.”

The third part of Travers’ legacy will go to the Campus Beautification Project, to help Queen’s maintain the park-like campus Travers played in as a child, those lush green spaces that mean so much to the University and the broader Kingston community. “I tell people if they want to remember me, don’t bother with a service, just plant a tree somewhere.” His mother had a tree planted more than 30 years ago to honour his estimable grandfather and grandmother. Another will be a nice touch—a leafy, living reminder of a family and a child, those lush green spaces that mean so much to the University and the students from the Faculty of Arts with the chance to work or take classes at the University.* Including Queen’s, including an association with Queen’s stretching back more than one hundred years.

Turning Paper Profits into Opportunity

I took more than a decade for the Dow Jones Industrial Average to go from 800 to 1000. But in 2013 alone, the Dow reached two new benchmarks (see chart). Many investors even securities that have increased dramatically in value.

What does the run-up in the Dow mean for your finances? It may be time to reexamine your portfolio. Is your investment mix out of balance in view of your age and your financial situation? Should you sell some stocks and reinvest in bonds, tax-exempts or cash equivalents? Should you switch to stocks that pay dividends? Check with your advisers, not only about the financial safety of your investments, but also about the tax consequences of a sale.

If you sell stock and reinvest the proceeds, you’ll owe capital gains tax of 28% and possibly 33% on investment income tax. But there are other options that you might find more satisfying:

- **Give the Gift of Thrift**

  "I could instill in my grandchildren only one good habit, it would be that of investing for the future on a regular basis."

  Suppose you could start a young person on the road to thrift by encouraging him or her to establish an IRA? That account could be a lifetime stimulus to savings . . . and a wonderful example of the magic of tax-free compounding of interest.

  Tax laws allow anyone with earned income to invest in an IRA – no matter how young. But it might be difficult to convince an 18-year-old to put up to $5,500 in hard-earned wages in an investment that they won’t touch for 50 years or more – especially when more immediate needs exist. That’s where grandparents can help.

  The grandparents can offer to replace money a young person invests in a IRA, enabling the grandchild to use earnings for college tuition and expenses while saving for retirement at the same time. The $5,500 that an 18-year-old puts into an IRA today will be worth more than $100,000 in 50 years (assuming 6% interest), even if no further contributions are made.

  Although no income tax deduction is available for a Roth IRA, the grandchild’s income is probably low enough that the tax benefits of a deductible IRA are minimal. The grandchild could later take a tax-free withdrawal of up to $10,000 for the purchase of a first home, or leave the funds until retirement. All qualified distributions from a Roth are tax free.

For more information on any of the topics discussed in this newsletter, simply fill out and mail the reply card below or visit our website at www.queensu.ca/giftplanning.

www.queensu.ca "Thank You"

For more information on any of the topics discussed in this newsletter, simply fill out and mail the reply card below or visit our website at www.queensu.ca/giftplanning.

Tips and Traps When Naming Your Beneficiaries

Beneficiaries designations can present a variety of tax and legal traps that may frustrate your estate distribution plans. Queen’s University has a new publication on these challenges and how to avoid them: Tips and Tricks When Naming Your Beneficiaries. Just send back the attached card for your free copy.