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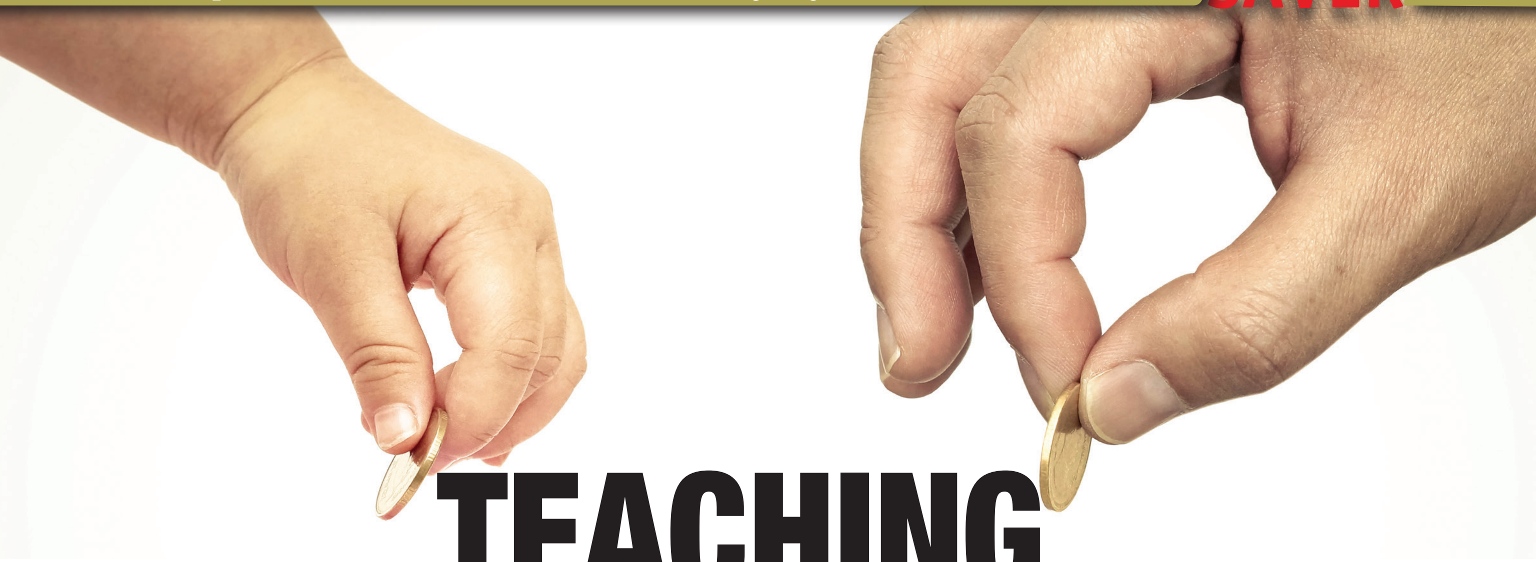

TEACHING KIDS ABOUT MONEY

Five Top Tips From Canadian Entrepreneurs

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Portfolio *Confidential*

Barbara Stewart

Here are three real world confidential portfolio discussions.

I have been managing my mother's retirement portfolio and have a certain percentage of assets allocated to U.S.-listed Exchange-Traded Funds (ETF) for Management Expense Ratio (MER) reasons as well as exposure to asset classes not available in Canada. The two ETFs she owns are iShares gold trust ETF (IAU) and Vanguard Small Cap Value ETF (VBR). They are held in a non-registered account. The value is around $188,000 combined.

What I did not consider in this allocation is exposure to U.S. estate taxes. My mother is 82 and in good health but I am wondering if I should be proactively looking at selling these U.S.-listed assets? Of course, this would trigger capital gains but it is unclear to me what our U.S. estate tax exposure is, if my mother were to pass away.

If your mother does not have assets over U.S. $11 million (if she dies between now and 2025) or over U.S. $5 million after that date (unless legislation changes) then she is not subject to U.S. estate tax.

From this recent document: "If the value of your worldwide estate is not greater than U.S. $11.18 million, you will not be subject to U.S. estate tax. However, if the value of your U.S. situs (the place where an asset is considered to be located for legal purposes) assets is greater than U.S. $60,000, you must file a U.S. estate tax return even though you will not have an estate tax liability."

As long as this $188,000 is invested in a Canadian mutual fund or a Canadian corporation that holds U.S. stocks, these assets won't be considered U.S. assets. However, it appears from what you have written that these U.S. ETFs are in a non-registered personal account. So, please note that U.S. ETFs trading on a U.S. exchange would be considered U.S.-situated assets, but Canadian ETFs holding U.S. stocks would not be considered U.S.-situated assets.

I think the bottom line is that unless your Mom's account is over U.S. $11 million and/or you don't want to bother having to file a U.S. estate tax return, you don't need to take any action.