

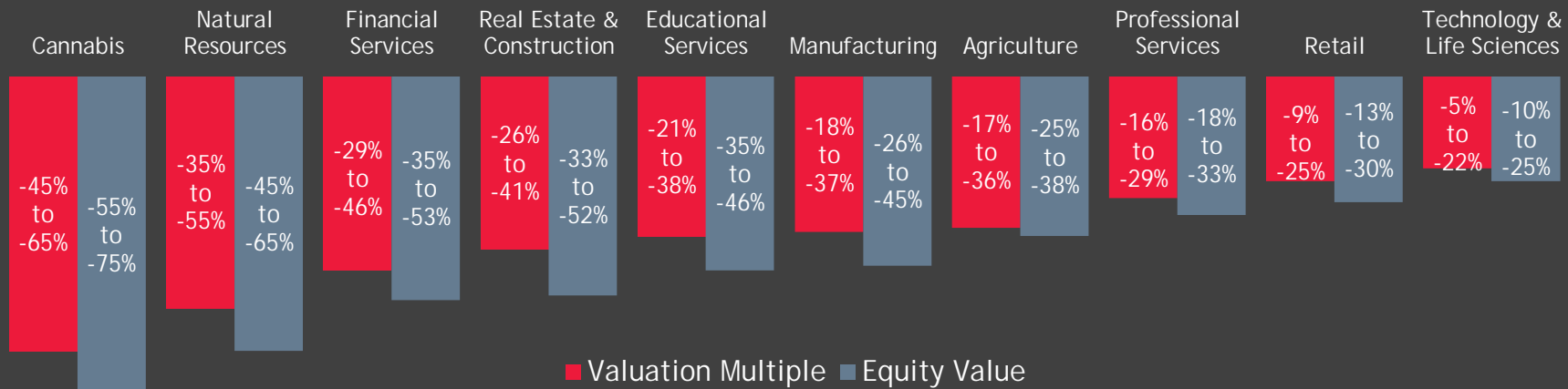
A close-up photograph of a person's hands writing in a spiral-bound notebook. The person is wearing a blue shirt and a watch. A white coffee cup is on a saucer to the left. The background is blurred, suggesting an office or meeting environment.

Topic: Why you should freeze or refreeze now

TAX VALUATIONS

2020 is an ideal time to **freeze** or **re-freeze** Tax Valuations as Canadian and U.S. market valuations are down significantly!

Q1 2020
% Change in Key Market Metrics
(by BDO Industry classifications)



All BDO Industries experienced double-digit declines, so a **freeze / re-freeze** in 2020 could be **highly beneficial**



TYPICAL HOLDING STRUCTURES

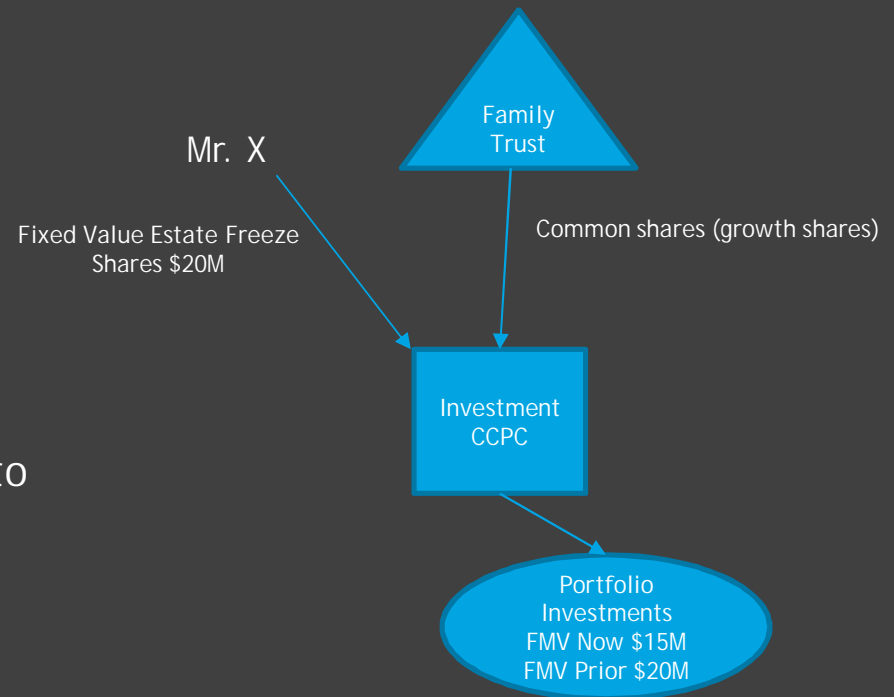
Angel Operating Company Investment & Investment Portfolios

- ▶ Held personal by the angel investor
- ▶ Held through a personally owned holding corporation
- ▶ Held through a family trust
- ▶ Held through a holding corporation in which the holding corporation is owned by a family trust

INVESTMENT HOLDCO FREEZE/REFREEZE

Prior Freeze of Investment Holdco:

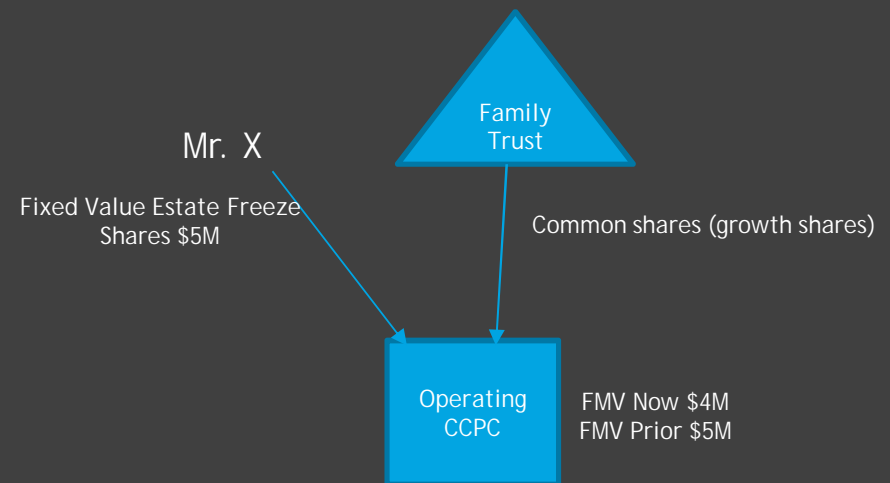
- ▶ Froze at \$20M FMV = Death Tax \$5.4M
- ▶ New FMV \$15M = Death Tax \$4M
- ▶ Savings of \$1.4M **BUT** only if Refreeze
- ▶ Valuations of assets should be completed to support new values



OPERATING CCPC BUSINESS FREEZE/REFREEZE

Prior Freeze of Operating CCPC:

- ▶ Froze at \$5M FMV = Death Tax \$1.34M
- ▶ New FMV \$4M = Death Tax \$1.07M
- ▶ Savings of \$270K **BUT** only if Refreeze
- ▶ Very critical that a 3rd party valuation is completed to support the new value as tax implications and impact could be significant





FAMILY TRUST PLANNING - BENEFITS

Angel Operating Company Investment & Investment Portfolios

- ▶ Operating company strategy may allow a multiplication of the capital gains exemption - can provide tax savings of up to \$225K per beneficiary on a future share sale
- ▶ Allows for the option (but not the obligation) to transfer assets to children on a tax-efficient basis
- ▶ Provides a degree of control over corporate assets that may otherwise be held directly by children and exposed to family law considerations
- ▶ Valuable estate planning tool in the event of an untimely passing - a trust continues to exist and avoid unnecessary disruptions

COVID-19 FUTURE TAX CONSIDERATION

- ▶ COVID-19 is being supported by the Federal and Provincial governments with unprecedented funding at an extreme cost
- ▶ The 2020 Federal budget has been postponed and it is uncertain if or when it will be announced and could become a combined 2020/2021 budget
- ▶ There is a common understanding that the Federal and Provincial governments will be seeking a plan to recover from the initial impact of COVID-19 and the continued impact of COVID-19
- ▶ Potential changes to the tax system could support the government with some of the funding to offset the COVID-19 costs and could be in the form of:
 - ▶ An increase in the capital gains inclusion rate
 - ▶ A reduction or elimination of the life time capital gains exemption



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Thank you for joining!

