

Beacon

Spring Greetings!

We've just had a busy season buoyed by strong returns in the markets. It's been a pleasure connecting with many of you and I look forward to continuing to help you achieve your life planning goals integrated with Biblical principles.

This issue highlights my annual trip to Honduras. In Planner's Corner we discuss Bare Trusts and the recent commotion around reporting them.

With days being longer and warmer, my leisure time turns to gardening, golf, and NHL playoffs (go Oilers!). Soon, we will be camping 😊. May you also find some time to relax and refresh.

Thank you for your ongoing support. Soli Deo Gloria!

Jim Hummel, CFP® CKA®



Bloom Where You Are Planted: Honduras 2024



Several of you have asked for more information and pictures about my annual trip to Honduras. From January 15-26, I was one of a group of nine that mixed concrete and helped build latrines, floors and pilas (water storage) and developed relationships in Honduras. The trip was sponsored by West End Christian Reformed Church, Edmonton and supported by World Renew and Diaconia Nacional de Honduras. This was my fourth trip and the second time we were in the community of Tiguilotada on El Tigre or Tiger Island.

- We work alongside homeowners and their families. The families benefiting usually participate in Diaconia's nutritional health

program for babies and toddlers. The lack of a concrete floor, a bathroom and water storage jeopardizes the health of their family. Prior to our arrival, considerable effort is taken by the homeowner to prepare the site, such as digging a hole for the latrine mostly through rocks.



- Hand up vs. hand out. These projects are out of reach financially for the recipients. They are very grateful and are quick to praise God for their blessings. I had a conversation with a 2019 recipient who I helped with a cement floor and roof and said his family was thriving and was eternally grateful.

- The group has been involved in Honduras for over 15 years and has worked in three previous communities. These communities have initiated well projects funded by West End CRC. We viewed



all three sites including one in the community of El Burillo which is located at the top of a mountain 'in the middle of nowhere'. Access to the community is very challenging. The community is building a church using hand-made adobe bricks... a dried-mud brick made of earth, water and straw. Hopefully, in the future, we will be able to give glory to God together during a Sunday service in this church.

- We sleep in an open-air classroom in a local school and are routinely awoken by barking dogs and crowing roosters at 5 am in the morning.

- Cell phones are prevalent, but the family may not have a working bathroom.



- All food, including ours, is cooked over an open wood fire. A boy or man carrying a large machete is not a cause to panic as it's used to cut down trees to build a fire.

• In previous years, I thought I was doing well carrying 1 bag of sand weighing about 100 lbs. until I saw a Honduran man almost half my size carrying 2 bags and wearing flip flops.

- I am grateful for World Renew and Diaconia Nacional de Honduras who provide translators, cooks and transportation to ensure we are kept safe.
- We had the opportunity to visit the offices of Diaconia and Association for a More Just Society (www.asj-us.org) and hear about their efforts in improving the lives of Hondurans.
- It was not all work; we went swimming in the Pacific Ocean and enjoyed some beach time. On our recreation day we visited the 23 metre, Pulhapanzak Falls where we ziplined, went under the falls and enjoyed a river float.
- A special shout out to leaders, **Bert Schouten** and **Steve Vriend** for organizing the trip and taking care of all the details.



A question that sometimes asked or pondered is, couldn't you just send the money versus the expense of flying there? We represent the hands and feet of

Jesus, and the impact is great, not just on the communities and families that benefit but on the participants. Most participants, myself included, come back with a different perspective on the challenges in the developing world and deep feeling of gratitude.



Planner's Corner: Bare Trusts

You may have heard about the need to report bare trusts when filing your tax return from your accountant or financial institution. Below we provide information on what is a bare trust, why it is important, what the recent commotion was about and my thoughts.

What is a bare trust?

A bare trust is when the beneficiary, if they are over the age of 18, has the absolute right to the capital and assets within the trust, as well as the income generated from these assets. Examples of bare trusts are when parents open an account "in trust" for their children, when children are added to bank accounts and property of aging parents and when parents are put on title of an adult child's home to help them qualify for a mortgage.

Who's who in a trust?



Beneficiaries are the legal owner of these assets, so the income generated in the form of interest, dividends, and rent is taxed to them. In the case of an 'in trust' account for a minor beneficiary, the parent or grandparent is taxed on the income, and the minor child is taxed on the capital gains. Along with some other exceptions, accounts with a value of \$50,000 or less are exempt from reporting.

Bare trusts must be disclosed through the filing of a T₃ Trust Income Tax and Information Form (T₃) and

a related Schedule 15: Beneficial Ownership Information of a Trust. The T3 is designed for complex trusts for high net-worth individuals and their families which make it intimidating to complete. As well, Canada Revenue Agency (CRA) has not provided a lot of guidance. Prior to filing a T3 Trust Income Tax form, a trust account number must be obtained by making an application to CRA. For most trusts, there is no additional tax payable as income is reported to CRA via T5 slips and claimed by the beneficiary on their individual tax return.

The image shows the top portion of the CRA T3 form. It includes the CRA logo and the title 'Trust Income Tax and Information Return'. Below the title, it says 'Step 1 - Identification and other required information'. The form has several fields for identifying the trust, such as 'Residence of trust at the end of the tax year', 'Name of trust', 'Trust account number', 'Name of trustee, executor, liquidator, or administrator', 'Mailing address of trustee, executor, liquidator, or administrator', 'City, province or territory', and 'Postal Code'. There are also checkboxes for 'Is the trust resident on designated Aboriginal settlement lands?' and 'If the trust carries on a business in the year...'. The form is partially filled out with 'Ontario' in the residence field and 'ON' in the province field.

Why is it important? What's all the recent commotion about?

On March 29, 2023 "In recognition that the new reporting requirements for bare trusts have had an unintended impact on Canadians", Canada Revenue Agency (CRA) exempted bare trusts from having to file a trust return or Schedule 15 for 2023 unless the CRA makes a direct request. The deadline for filing of trust returns was April 2, 2023, for trusts with year-ends on or after Dec 31, 2023. This marks the third time the CRA announced relief for bare trusts. The stricter reporting rules were first proposed in the 2018 federal budget to combat "aggressive tax avoidance, tax evasion, money laundering and other criminal activities" and as part of Canada's international commitment to the transparency of beneficial ownership.

My thoughts...

It's an example of "using a sledgehammer to kill a fly" which has resulted in unintended consequences. Almost all income is reported via tax slips and usually the beneficial owner is claiming the income on their tax returns so it's not something that's going to generate significant increased tax revenue. It makes it more difficult for the average individual to file their

own tax returns prompting the need to hire a professional tax filer. It also adds another consideration when adding a name to an elderly parents' account as there is increased reporting requirements.

I believe it would be more efficient if the CRA left the reporting requirements to financial institutions who are already reporting to Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). The requirement to file a T3 return should be for accounts that are not being reported in this manner (e.g. real estate, etc.) and formal, more complex arrangements. Hopefully CRA amends its requirements.



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- "CRA exempts bare trust from reporting requirement for 2023" Rudy Mezzetta, advisor.ca, March 28, 2024
- "A guide to family finances and bare trusts" Rob Carrick, the Globe and Mail, March 26, 2024
- "A how-to for people caught up in CRA's confusing new rules for reporting bare trusts" Rob Carrick, the Globe and Mail, March 19, 2024



Save The Date!

7th Annual Client Appreciation Event
 Saturday, September 28, 2024, 1 PM – 4 PM
 The Royal Alberta Museum



Further details coming soon. We hope to see you there!