

PLANNING MATTERS

Quarterly Financial Planning Newsletter
from Coleman Wealth



Winter 2015 - 2nd Edition

We welcome Nik Zabaljac to the Coleman Wealth Team!



Nik joins us from a Raymond James team in Burlington and will be assisting the team with all administrative matters.

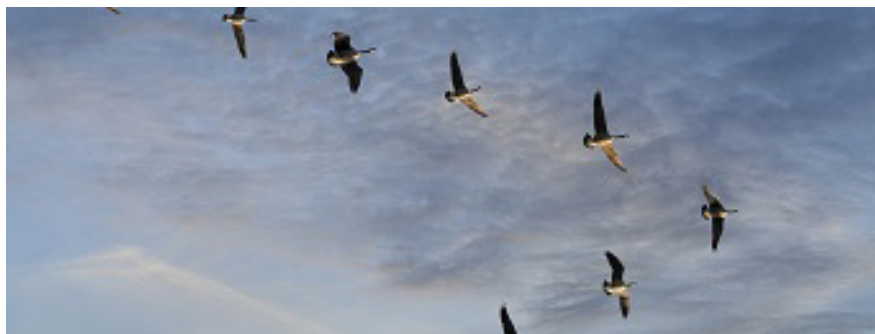
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Here at Coleman Wealth, we have many clients who choose to spend their winters somewhere slightly more agreeable than in Canada. We thought it would be appropriate to devote this newsletter to our beloved snowbird clients, and some matters that may be of interest to them. If you are considering becoming a snowbird, this applies to you too! Coleman Wealth has a unique ability to work with clients who have 'cross-border' ties, as we are licensed on both the Canadian and US platforms. We also have a close relationship with Altro Levy, a cross-border legal firm with offices in Canada and the US. We hope that this newsletter on 'snowbirding' (not to be confused with snowboarding, the Canadian equivalent) will provide you with unique insights as to how you can 'snowbird' safely, smartly and comfortably!

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Snowbirding 101



Many Canadians dream of no more cold, no more grey, no more bundling up in boots, scarves and gloves. No more wishing and hoping spring could get here sooner.

No more winter.

As dreamy as such an escape may sound, the decision to become a snowbird and spend the winter down south isn't one you should take lightly. Spending part of the year in another country comes with a myriad of financial and lifestyle implications that need to be considered before you make the decision to leave winter behind.

With that in mind, here's an overview of things to think about before becoming a snowbird.

Choosing your destination

The quality of your snowbird experience will depend in large part on where you choose to spend the winter.

The majority of Canadian snowbirds choose the U.S. as their winter destination. And for good reason: it's right next door, getting there and getting around is easy, and there's a minimum of culture shock.

But it's not the only country to consider. There's a growing contingent of snowbirds in Mexico (on the Pacific coast, and also in the central highlands above Guadalajara). In recent years, active and adventurous snowbirds have chosen Central America as a winter destination --

Belize, Panama, Costa Rica are all becoming attractive spots for extended winter stays.

Begin your decision process by isolating the important considerations. Price of accommodation and travel time are good starting points. Then, factor in weather: even between familiar U.S. Sunbelt destinations such as Florida (humid) and Arizona (bone-dry) there can be a lot of difference in climate.

Perhaps the most important consideration is the feel of a particular place. Some destinations are known for their laid-back atmospheres, others for their active, social cultures.

Should you rent or own?

A lot of snowbirds dream of owning their place in the sun, whether it's on the beach, beside the lake, or across from the golf course. Others don't want to put up with the hassles — they'd rather rent and leave the taxes, insurance, and home maintenance to someone else.

Either option is viable, and each has its advantages and disadvantages. Think about whether you've fallen in love with a particular destination (owning), or look forward to exploring a new part of the world every year (renting). Is heading south for the winter something you see yourself doing every year (owning), or only once in a while (renting)? Will your stays be lengthy (owning), or do you plan on staying only a few weeks each year (renting)?

Understanding U.S. taxes

In response to the widespread perception that non-residents are taking advantage of the U.S. tax code, the Internal Revenue Service has tightened up reporting laws for visitors. That includes snowbirds.

Even though you may be a Canadian citizen (and intend to remain one), and only visit the U.S. in winter, you could still owe tax to the U.S. government. And even if you don't, you still may have to file a U.S. tax return.

It all depends on how much time you spend in the U.S. every year: if you spend fewer than 31 days in a year, you're OK. If you spend more than 182 days, you'll need to file a return and declare any income from U.S. domiciled assets. If it's in between, you'll need to make a calculation based on how much time you've spent in the U.S. over the previous three years.

If you plan to regularly spend your winters in the U.S., it's possible you'll have to file a U.S. tax return sooner or later. So it makes sense to familiarize yourself with tax obligations and reporting responsibilities. Don't be afraid to seek help from a cross-border tax professional—your bank account will thank you for it.

Medical insurance for snowbirds



“Do I need additional medical insurance while I'm in the U.S.?”

It's one of the most frequently asked questions of snowbirds — and an important one to answer.

With U.S. medical care costs being sky-high (and rising), even a simple doctor visit can put a serious dent in your bank account. If you're unfortunate enough to require an extended hospital stay, your finances can suffer permanent damage.

The problem is, many snowbirds are complacent about such possibilities. In fact, according to a 2013 survey by TD Insurance, only about half of Canadians aged 50 and over even bother to check their medical coverage before leaving for vacation. And only 16% call their insurance providers to determine if they need to update their health care policies.

It's time for this attitude to change. Because what you don't know, or what you assume, about your medical coverage while in the U.S. may end up hurting you.

Do you need additional health insurance?

Simply put: yes. Technically, all Canadians are covered under their provincial plans for any time they're overseas, but coverage is extremely limited.

In Ontario, for example, OHIP only covers the first \$400 of medical expenses incurred in the U.S. And that doesn't include ambulance, prescriptions, or auxiliary expenses. If you're a BC resident, your provincial plan will only cover \$75 a day for hospital stays. Other provinces offer slightly different coverage, but the bottom line is this: it won't come anywhere near covering the cost of a visit to a U.S. hospital.

Where to find a policy

So, what's the best way to obtain additional coverage? A quick web search will give you names of several companies that specialize in policies for snowbirds: kanetix.ca, CARP.ca and snowbirds.org are good places to start comparison-shopping.

Costs depend largely on your age, your general health, where you're going, and proposed length of stay. Another important consideration are any pre-existing medical conditions.

What to look for in a policy

Unlike car insurance, where most policies are generally the same, private health insurance can vary widely in both costs and policy specifics. Make sure to pay attention to the following areas when you go shopping:

- **Deductible**

A typical deductible on medical insurance ranges from \$100 to \$500 — call it the cost of a doctor's visit. Most policies offer the option to buy out the deductible, so your net cost will be zero if you have a claim, but that option can be expensive. Also watch out for policies with "per claim" deductibles, which charge every time you visit a doctor. Instead, opt for a "per policy" deductible.

- **Amount of coverage**

Most policies are available in a variety of coverage amounts: \$1-million, \$3-million, and \$5-million are fairly common. Differences in premium rates, oddly, are often relatively nominal.

- **Single trip or annual coverage**

Do you travel to the U.S. multiple times during the year? If so, you may want to explore an annual policy — it will be less expensive than taking a new policy every time you travel. But, if you typically make one trip in the winter, single-trip coverage is likely the better deal. If you plan to stay longer than 30 days, then compare both types of coverage. An annual policy may end up being cheaper.

- **Exclusions for pre-existing conditions**

By far the most important part of any private health insurance policy for snowbirds, who tend to be older, relates to conditions the insurer won't pay for. Most private policies exclude undisclosed pre-existing medical conditions, or require pre-existing conditions to be medically stable for some time prior to departure. Such conditions are usually rigid. For example, if you change medications, or visit a specialist during the given time period, it could be enough to exclude you from coverage.

If you have a pre-existing condition, it's possible to find insurance but it will cost more than a regular policy. Or, the insurer may offer to cover you for everything except issues arising from your pre-existing condition. Either option is better than assuming you can fail to disclose and still have your policy honored. That won't happen. There are plenty of stories of snowbirds who failed to disclose pre-existing conditions and were denied coverage after racking up tens of thousands of dollars in U.S. medical bills.

- **High risk activities**

Are you covered if you go paragliding off the Florida coast? Or spelunking in the cenotes in the Yucatan peninsula? What about zip lining through the Costa Rican rainforest? If you're the active, adventurous type, you'll want to know exactly what kinds of things you're allowed to do, and what you're not.

Getting the car to your snowbird destination



Driving down to your snowbird destination can be an interesting way to see more of the world. But after you've done it once or twice, it becomes less of a journey and more of a chore. To say nothing of the added wear and tear on your vehicle.

Fortunately, there are options. If you like the idea of having your car at your beck and call, but have no interest in driving it down yourself, consider the following:

Hiring a driver

The most obvious way of getting a car to your destination is to hire somebody to drive it for you. This can be an excellent option if you don't have a lot of lead time before you want to ship your car, or if your destination is a little out of the way from a major transportation hub.

Many companies specialize in this service; generally offering to pick up your vehicle from your home, and deliver it to your door at your winter destination — or the airport if you're flying in. You'll want to choose one that has a long track record and specific experience in servicing snowbirds. Make sure to ask about their rules for transporting things in your vehicle while driving. Some companies say you can only put stuff in your trunk, while others let you stuff your vehicle like a moving van.

Costs depend on exactly where you're going. Most companies offer quick and easy online quoting, so shop around. As a general rule, expect to pay a little under \$1,000 for a trip from the GTA to Florida, including fuel costs. A three-day delivery time is fairly typical.

Shipping your car

Another option is to ship your car by transporter truck. All you have to do is fill out some paperwork, drop the car off (some companies will pick it up for you), and that's about it.

Your vehicle will be loaded onto a transport carrier (the same kind used to transport new cars), or in a closed container trailer (which typically costs a little more), and then transported to the company's terminal at your destination. The big benefit: you'll avoid the wear and tear that comes from actually driving your vehicle.

Timing is a little longer than hiring a driver — expect delivery to take about a week, although some companies require more lead-time. You'll also want to make arrangements well in advance of your desired transport time, as things tend to book up around the same times each year. Again, pricing is based on the exact distance. Larger vehicles (trucks and SUVs) will cost more.

The Auto Train

If you're travelling to Florida, the Amtrak Auto Train may be a viable option. Departing from Lorton, Virginia (about a half-hour south of Washington DC), the trip takes about 18 hours (allow an extra hour on either side for loading/unloading), and drops you off in Sanford, Florida (near Orlando). Meals are included, and you can even get a sleeping compartment if you want.

The big benefit of the auto train is you can pack your car to the gills. Costs are also a little cheaper than hiring a driver or a truck — between \$400 and \$850 dollars, depending on time of the year, and whether or not you purchase a sleeper.

Content brought to you by Coleman Wealth and courtesy of James Dolan at advisor.ca.

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