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BETH MARLIN
SPECIAL TO THE STAR

Ever daydream about retiring somewhere far, far away?

There's only one attribute separating most empty nesters from those who live out their dreams, says David Lesperance, who specializes in the global relocation of high net-worth individuals.

"It's a failure of imagination," says the 48-year-old Hamilton lawyer, who says the cost of living is much more affordable in many other countries.

Six years from now, Lesperance plans to take flight, after draining the last bottle in his wine cellar and handing over the keys to his house to his son. And then he plans to declare his non-resident status when he files his final tax return to the Canada Revenue Agency.

"Is Revenue Canada contemplating the departure of David Lesperance from the tax regime? No," he says. "But guess what, I'm gone."

Lesperance predicts many wealthy North American baby boomers, who are set to start retiring in droves by 2011, will be giving up permanent resident status in Canada and the United States, with a significant impact on the tax base of both countries. He calls the

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Many wealthy North American baby boomers are expected to retire abroad.

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phenomenon "the flight of the golden geese."

Harsh climate is not the only reason North Americans are looking abroad, he says.

Canada's progressive tax system is much like the United States, where he says the top 10 per cent – the golden geese – pay 93 per cent of the country's total tax revenue. But now, he says, "the golden geese are leaving."

That will leave social programs underfunded for those who remain, he predicts.

For the golden geese, any perceived financial risk of moving abroad has evaporated as the subprime mortgage crisis has revealed the North American economy to be just as vulnerable as anywhere else.

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So, if financial risk exists everywhere, why not live in the country of your dreams?

While many retirees go abroad for part of the year, others decide to reduce their expenditures by becoming non-resident, for tax purposes.

To become a non-resident of Canada – so that you are not longer liable to report and pay income tax to the Canada Revenue Agency – you must first be recognized by another country as a resident.

Proving you are non-resident of Canada would usually involve selling your property here.

"You would have trouble proving you are non-resident if you have property, a spouse or dependent children living in Canada, a car or furniture, a bank account or if you maintain provincial health insurance coverage or if you maintain an Ontario driver's license," Lesperance says.

"As a tax lawyer, I advise that the cleanest break you can make is to get rid of everything in Canada, but you have to acquire them somewhere else. You can keep your RRSP, but we don't recommend keeping residences, driver's licenses or vehicles here," he says, noting that such things as golf club memberships should also be terminated.

Even if you do not maintain residential ties to Canada, you may still be found to be a resident for tax purposes if you spend more than 183 days a year in the country, according

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Since becoming a non-resident of Canada triggers a one-time capital gains tax on your major assets – other than for your family home – the Toronto Stock Exchange's current low levels may make this an opportune time for many to pay this so-called departure tax.

According to Service Canada's website, "Deemed disposition is triggered by your declaration that you have left the country, which you make on your final income tax return, filed by April 30 of the year following your departure. Those with assets valued at more than \$25,000 must file a special form with their return."

If you keep your RRSP, you will be subject to a withholding tax equal to the tax in your adopted country, usually about 25 per cent. Your CPP, while it can be collected abroad, will be subject to the same withholding tax.

Non-resident status doesn't require you to give up your Canadian citizenship or passport, so you will always have a right to return to Canada and re-qualify for provincial health care coverage. However, the same is not true for landed immigrants, who should seek Canadian citizenship before they leave, Lesperance warns.

"You should get proper legal counsel on this," he says. "Your decision may affect not only your future, but your children's and grandchildren's."

Lesperance warns that if you move to a country other than the 75 nations with which Canada has a tax treaty, you may be subject to double taxation.

It is also important for retirees to look at the estate and gift taxes in the adoptive country.



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