# A Tale of Two Women

This is the story of Susan and Jill, two women now in their mid-eighties, living in Toronto. They've been best friends for most of their adult lives, although when it comes to family and relationships, their lives followed different paths.

Susan took the usual route for women in the 1950s. At age 25, she married Jeff, a high school teacher, and after working for two years, started a family and became a stay-at-home mom. Predictably, she and Jeff bought a house once the two children arrived, and the family settled into a satisfying domestic life in a central part of the city. The house cost $18,000 in 1972, which amounted to two and a half years of Jeff's salary.

As life progressed and the children reached their late teens, Susan looked for pastimes outside the home and decided to go back to part-time work. She worked two to three days a week at a job that gave her a modest salary – enough to indulge her passion for designer clothes which she would find while shopping downtown on one of her idle days. Her salary wasn't needed to support the family, but did keep her happy with the extra coin she could spend as she wished.

Jill, on the other hand, never married. The man she fell in love with in her early twenties chose someone else, and the few men who took his place in her dating life were never his equal. Or so she thought. So time went on and her single life continued – something she never would have predicted or wanted. She lived in rented apartments, at first with roommates, but finally alone when she was in her late thirties and realized that life as a spinster might be her fate. During this time she worked mostly as a high school teacher, and then at age 42 in the 1980s, with a mere $25,000 in the bank and a society that had rejigged itself to the necessity of a household with two incomes, she realized that her financial situation looked dire.

So she started a small business. It was hard-going at first, as all businesses are, but through perseverance and a few more years back high school teaching while she ran the business on the side, after five years she had a viable enterprise that could pay the bills and more. She had a part-time staff of three or four and sterling clients. Success!

The money didn't exactly pour in, but it gave Jill enough that after twenty years she could retire in 2001, when she was in her early sixties. At this stage, Susan and Jeff were retirees as well. Life was solid and financially fine with Jeff's pension and a home of their own (still with no upgrades after forty years). They'd always been modest spenders, and with income splitting allowed for couples, Jeff's pension was able to be halved which lowered their tax bracket, and entitled them each to full payments of OAS.

By 2017, months after Jeff had died, Susan sold the house for $2.3 million. Since this windfall was tax-free, and since she was entitled to a portion of Jeff's pension, as well as his RRIF portfolio, Susan had a worry-free financial future. She began by giving her two granddaughters $900,000 each. One granddaughter immediately bought a home while the other is sitting on her nest-egg for the time being, knowing that when she's out of a job (which she currently is), she'll manage with this cash support behind her.

As for Jill, the story is different. Having run her own business, she has no pension from that and only a modest pension from her years as a teacher. She has RRIF funds totalling about $500,000 and a small amount of money in a holding company which represents the remnants of what was left when she closed her business. Her monthly pensions include CPP of $700, teacher's pension of $1,200 and income from her RRIF. All of this income is taxed at the highest rate (no income splitting for her) and her OAS payments are fully clawed back because her income is above the threshold of entitlement.

But here's the crux of the matter: When Jill dies, her estate will be taxed around 50%. She will lose half her money in taxes. That means no legacy of consequence for her nieces and a nephew, immigrant children who grew up in poverty and on welfare, and who have been the centre of Jill's life for the last 25 years. During that time, Jill paid for the family's rent when they fell short, plus a car, plus camp and tutors and college tuition. Now established in jobs and about to start families, they would love to be able to afford a home, but unlike Susan's granddaughters with their substantial legacy, these young people will be lucky if they inherit $50,000 each.

Jill's question is this: Why does Susan get tax breaks simply because she was part of a couple and owned a home, while Jill's estate (meagre as it is) is taxed to the maximum because she is single and her assets are in cash instead of in a home?