Assante
WEALTH MANAGEMENT

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Well-Advised

Glenn Stewardson, CFP, FMA

Assante Capital Management Ltd.
5670 Spring Garden Road
Suite 900
Halifax, NS B3J 1H6
**Telephone:** (902) 492-3350
**Toll-Free:** 1-888-305-7526
**Email:** gstewardson@assante.com

Happy New Year! I hope this year is joyful and prosperous for you and yours.

As we head towards the March 1 RRSP contribution deadline, your retirement goals may be top of mind. This is an ideal time to think about how you envision your retirement — from where you'd like to live to where you might like to travel.

With those ideas fresh in your mind, remember that a solid financial plan can help make sure they unfold according to plan. I can help you find ways to maximize your RRSP contribution this year, and set up a strategy to help you maximize contributions in the years ahead — especially as the RRSP limits are set to rise.

Call me today to schedule a review of your financial plan, and to make the most of all of the financial opportunities available to you.

# RRSP opportunities rising

*Limits are increasing — are your contributions keeping pace?*

Maximizing your Registered Retirement Savings Plan (RRSP) contribution each year is one of the best ways to meet your retirement savings goals. The good news is that contribution limits are rising annually; but it may be a challenge to find the money to take advantage of the increase.

The maximum RRSP contribution for 2006 is $18,000, with a proposal for the limit to increase by $1,000 per year until it reaches $22,000. Now is a good time to consider new savings strategies to ensure you maximize your tax advantages and your RRSP's long-term growth potential.

### Review your finances

A look at your overall finances may reveal easy ways to increase your RRSP contributions. We can help you analyse your savings, debts and spending habits, and suggest ways to free up some extra money for your RRSP. Sometimes just seeing your finances written down on paper can expose "hidden" funds.

### Increase your regular contributions

One of the most effective ways to ensure you maximize your RRSP contribution each year is to set up a regular savings program. This way, your contributions are consistently invested in harmony with your long-term investment goals. If you've already got a regular savings program set up, consider increasing the amount of your contributions, especially when your income increases.

### Invest lump sums

If you receive an unexpected lump sum, such as an inheritance, bonus or tax refund, put it to work in your RRSP. Some employers will arrange for you to place some or all of your bonus directly into your RRSP with no tax withheld. If you regularly receive a tax refund, you can apply for lower tax deductions at source and deposit the difference from each paycheque directly into your RRSP.

We can help you build strategies to maximize your RRSP contribution this year, and for years to come. ■

# Will these events affect your financial strategy?

If you've recently experienced any significant life changes, your financial goals may have changed as well. That's why it's important to review all aspects of your financial strategy regularly, and update them to reflect your current circumstances.

## Income or career changes

For instance, your financial strategy may need adjusting if your income level has changed. If your income has increased, or if you have received an unexpected lump sum from a bonus or inheritance, you may want to reassess your retirement income projections and debt-reduction strategies. You may also find that you are willing to take on greater investment risk because of your improved circumstances.

If your income has been reduced because of a health crisis or an unexpected career setback, you may have to revisit your current financial strategy to ensure that you are still able to reach the goals you've set.

Or perhaps you've moved into self-employment. In this case, you may want to consider income-splitting opportunities with your spouse as part of a strategy to reduce the overall taxes your family pays.

## Changes in family structure

Changes in your marital status or the birth of a child are momentous life events that may require you to revisit your financial strategy.

If you're newly married, you may want to take advantage of some tax-planning opportunities. On the other hand, if your marriage has ended, your financial strategy may need to take into account the sharing of marital assets, such as pensions and property.

Welcoming a new child into your family triggers a need to reassess your life and disability insurance needs. You may also want to update your will so that it provides for the child. As well, it's never too soon to start saving for post-secondary education (see "A smart way to save for post-secondary education").

## Change in debt load

A major change in the amount of debt you carry can also affect your current financial strategy. For example, if you've recently paid off your mortgage, consider incorporating the money you're saving each month into your overall savings strategy. These funds can be used to boost your retirement savings, or could become the basis for a new short-term goal.

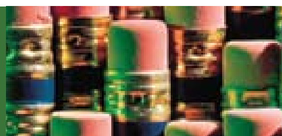
Similarly, if you're facing an increased debt load, you may need to adjust your retirement savings plan. You may discover that it would be best to delay your retirement date, or that you need to target a higher return on your investments to maintain the retirement lifestyle you've envisioned.

## Market events

Sometimes an external event, not a personal one, is the reason for taking a look at your financial strategy. When the performance of some of your investments dramatically changes over a significant time period, your asset allocation can shift off target. A professional review of your portfolio holdings can determine what steps to take to get back to your optimal asset mix.

We can help you take a complete look at your financial strategy and ensure it reflects your current personal situation. ■

## A smart way to save for post-secondary education



Last year, Canadian undergraduate university students paid an average of $4,214 in tuition fees — almost triple the average of $1,464 in 1991. And while tuition increases have slowed in recent years, one point remains clear: funding a child's post-secondary education is an expensive undertaking.

With its combination of tax-deferred savings and government grant opportunities, a Registered Education Savings Plan (RESP) is an excellent way to save for a child's or grandchild's education.

**How an RESP works.** You can contribute up to $4,000 per child each year to an RESP, to a lifetime maximum of $42,000 per child. Just like an RRSP, the investment income earned inside an RESP is tax-deferred until it's withdrawn. Depending on the type of RESP, you can choose from a wide variety of investments, including cash, bonds, mutual funds and stocks.

**Getting the grant.** Another advantage of an RESP is that contributions are eligible for the Canada Education Savings Grant. The grant is provided by the federal government, which tops up your RESP contribution each year by 20% of the first $2,000 contributed — for each child to a maximum of $400 per child.

**Withdrawing the funds.** When your child enrols in a post-secondary institution, money can be withdrawn from the RESP to pay for tuition, books, travel and living costs. The money withdrawn, other than the original contributions which are tax free, will be included in your child's taxable income, which usually means that there is little or no tax liability.

We'd be pleased to help you develop an investment strategy for your child's or grandchild's RESP.

# Keep your RRSP intact: Plan ahead to avoid a tax liability

Every year you diligently save and build your Registered Retirement Savings Plan (RRSP) savings with the intent of one day supporting a long and fulfilling retirement. To protect the full amount you and your family are entitled to, it's important to think about what would happen to your RRSP upon your death. In fact, much of your savings could be lost to taxes. But with a little advance planning, you can avoid this.

There are several strategies that can help preserve your hard-earned money for your family.

## Designate your spouse

If you designate your spouse or common-law partner as the beneficiary of your RRSP, the plan's assets can be transferred into his or her RRSP or Registered Retirement Income Fund (RRIF), maintaining the tax deferral. The transferred amounts do not affect your spouse's own contribution limit.

If your spouse is the beneficiary of your RRIF, he or she can continue to receive amounts from the plan under the arrangements you had made, or your spouse can transfer the plan contents to his or her own RRIF or RRSP.

Your spouse can also maintain some tax deferral by using the plan proceeds to purchase an annuity. Payments under the annuity contract enter into your taxable income for the year received.

If your spouse or partner chooses not to transfer the plan proceeds into his or her own registered plan or to buy an annuity, the money will be considered income in the year received and will be taxable.

## Child beneficiaries

A tax deferral is also available if you designate a financially dependent minor child or grandchild as beneficiary of your RRSP or RRIF. In this case, the beneficiary can spread the tax liability over several years by buying an annuity to age 18.

Where the child beneficiary is dependent because of infirmity, he or she can buy a life annuity or roll the plan proceeds into his or her own registered plan.

## Estate as beneficiary

If you do not name a beneficiary for your registered plans, the proceeds will automatically enter into your estate. However, there may be instances in which you specifically want the proceeds to go to your estate, but give your executor the authority to make any allowable rollovers.

This might be to your advantage if there's a probability that your estate will have tax losses or credits that would otherwise go to waste — for example, capital losses or large charitable donations. The executor could use as much of the RRSP or RRIF as necessary to maximize these credits or losses, and then transfer the remainder to your spouse or dependent children, who could then take advantage of the tax-deferred rollovers explained above.

## Keep designations current

In all provinces except Quebec, beneficiary designations can be made directly on the registered account. Be sure to keep your designations current, especially when rolling your RRSP into a RRIF as the designation doesn't automatically carry over.

We'd be pleased to discuss strategies to ensure that the proceeds of your RRSP or RRIF are passed on to your chosen beneficiary in the most tax-effective way possible. ■

# What you need to know about spousal RRSPs

In November 2006, the federal government proposed changes that would allow couples to split qualifying pension income without a spousal plan as of 2007. Up to 50% of income qualifying for the pension income tax credit (such as payments from a Registered Retirement Income Fund) would be transferable between spouses. As a result, the role of Spousal Registered Retirement Savings Plans (RRSPs) may change.

**Case scenario.** Spousal RRSPs have been a popular way to split income between spouses, potentially reducing your family tax bill and leaving you more money to enjoy in retirement.

Suppose that you've built up substantial registered assets, but your spouse has not. Once you begin drawing on your registered assets to support yourself and your spouse in retirement, the entire amount would be taxable to you.

**Possible solution.** But suppose that, instead, you could arrange in advance for part of that income to be taxable to your spouse. With less income to report, the taxes payable would be much less. Here's how it works.

You simply contribute to your spouse's RRSP. Your contributions do not affect your spouse's contribution limit, but they do count towards yours. The plan is registered in your spouse's name, and when withdrawals are made, they are taxable in the hands of your spouse.

**A cautionary note.** Be aware of the "three-year attribution rule" designed to discourage quick withdrawals. Under this rule, if your spouse makes a withdrawal from any spousal RRSP, the amount withdrawn — up to the total of all spousal contributions made by you in the current year and the previous two years — will be attributed to you for tax purposes.

Please contact us to determine if a spousal RRSP is appropriate for your situation.

# Taking inventory: Protect your personal property

Imagine that your house was broken into, or destroyed by fire. Would you be able to list all of your possessions — and their value? If you want to properly insure the value of your personal property, you need to have an accurate record of what you own and how much it's worth. Having an up-to-date inventory will also help to simplify the insurance claims process.

### Take a photographic record

One of the best ways to take an inventory of your possessions is to make a videotape of your house and its contents. Simply walk through your house with a video camera and describe each item as you film it. Make sure to note the serial number, make and model, and date purchased of any small appliances or electronics. If you don't have a video camera, you can use a still or digital camera and note all of the pertinent information about each possession on the back of the photograph.

You could also simply prepare a written list of your possessions, along with the relevant information about each item. Personal property inventory forms are readily available to download from the Internet.

### Proper storage is critical

No matter what method you choose for taking inventory of your possessions, you'll need to store the information away from your home — preferably in a safe deposit box or some other secure place. You may also want to store any receipts you have for the items listed in your complete inventory. The more information you have to support the value of your possessions, the smoother any insurance claims process will be.

Once you've prepared an inventory, ensure that you update it regularly to include all recent acquisitions.

### Cover antiques and other valuables

If you own special items such as jewellery, antiques or other collectibles, the regular provisions of your home insurance policy may not cover their full value. In most cases, you'll need to buy additional coverage through an endorsement to your policy.

### Three steps to protection

Here are three steps you can take to ensure your valuables are protected:

**1. Tell your insurer.** Make sure your insurer is aware of the valuables you own. Your insurer can determine whether you have enough coverage under your homeowner's policy or whether additional coverage is needed.

**2. Have valuables appraised.** In order to ensure that your most valuable possessions are fully covered in the event of loss, it's important that they be appraised. Make sure to update the appraisals every few years, as values can fluctuate.

**3. Store valuables securely.** Store valuable items in a secure location in your home. Consider renting a safe deposit box for valuable items you might not use regularly, like jewellery.

Once you have completed your inventory and appraisals, you may want to re-evaluate both your insurance needs and the gifts you have left in your will. We'd be happy to help you update your insurance and estate plans. ■

# Is collecting in your character?

In the first six months of 2006, auction houses Sotheby's International and Christie's together sold more than US$4 billion of art and collectibles. If you're a collector, or considering starting a collection, this hot market may let you turn a hobby into a rewarding endeavour.

**Small collectors are big business.** With a market for everything from high-end items like art and antiques to more common items like comic books and coins, collecting has become a huge business, thanks in part to the growth of the Internet. Collectors can now effortlessly search the world for the items they desire and take advantage of online auction sites to buy or sell items.

**Getting started.** If you're thinking of getting involved in collectibles, spend some time on the Internet discovering the range of items commonly bought and sold. Consider visiting established auction houses or their websites, such as Christie's (www.christies.com) or Sotheby's (www.sothebys.com). Or drop by the collectible shows and shops found in large and small cities alike. You can also find many excellent guides to buying and selling collectibles in most large bookstores.

**Join the club.** Joining a collector's club that focuses on your item of interest is a great way to meet like-minded people who can help facilitate buying and selling, and to learn more about the market. If you're lucky and savvy, your labour of love could one day turn into a profitable pastime.

Think carefully about the type of items you'd like to collect before you get started. It's important to buy collectibles that you'll enjoy owning, as there's no guarantee of their future value. ■

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