Assante
WEALTH MANAGEMENT

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Well-Advised

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The world — as well as your life — will keep changing, and it helps to be equipped with accessible information and sound advice when making decisions. Have you made some decisions recently or altered your long-term plans? If so, call us. Together, we can come up with the best course of action for your financial plan.

What are you planning for?

The best plan starts with defining your retirement

The more clearly you and your spouse are able to define what your retirement years will look like, the more accurately we can target your financial strategy and the easier your transition will be.

Set your sights

When assembling the pieces of your ideal retirement, consider these factors:

• **Where you'll live.** You may decide to downsize your home, spend part of the year at a vacation property, or stay in the home you love — which may then be mortgage-free, but may also require regular upkeep. Each choice carries an expense or financial opportunity.

• **What you'll do.** Your fundamental priorities and interests — helping family, travelling, learning, socializing — aren't likely to change when you retire. Think about how these might play out in retirement, and the associated costs.

• **How much you'll earn.** After retiring, many Canadians continue to apply their experience through a wide variety of work arrangements. Earning income in retirement could lessen your reliance on savings, keeping them invested longer.

Break it down

It can be helpful to break your retirement years into smaller time frames. For example, you might start with part-time work years, then home-downsizing years, then travel years. A "time frame" approach can help us determine your future income needs — both how much and when.

Prepare for contingencies

Remember, even the best-laid plan for retirement can go astray. For example, a health issue or corporate restructuring could trigger early retirement. It's key to build in a financial cushion as protection against the costs of unexpected events.

These points may have you wondering whether your current retirement plan reflects your expectations for retirement. Let's discuss whether your financial plans need fine tuning to align with your true retirement needs. ■

Heading south? Plan ahead for a worry-free trip

If you're one of the many Canadians who head to the Southern U.S. or beyond when the cold weather arrives, your departure date is fast approaching. The following checklist will help ensure that you can enjoy your time in the sun without worrying about financial and other practical matters.

Optimize your days away

✓ **Visit online beforehand.** If you're heading to a destination you haven't previously visited, you can learn about the community by reading the local daily or weekly newspaper online. It's also an excellent way to get a preview of some of the activities that will be available to you.

✓ **Map your goals.** If you're driving south, make sure your car is ready for the trip and that you've planned your route. You can search online for driving directions, or your local automobile association can provide you with maps. And there are excellent travel guides available for some of the more frequently travelled routes south — these describe restaurants, accommodations and tourist sights along the way.

✓ **Get official documents in order.** No matter how you choose to get to your destination, always carry valid proof of your citizenship and identity. If you don't have an up-to-date passport, carry a birth certificate or citizenship card, along with photo identification.

Tend to health and insurance needs

✓ **Pay a visit to your doctor.** Before you leave, arrange to have a medical check-up and ensure your medications and vaccinations are current. If you're taking prescription medications with you, leave them in their original container with the pharmacy label attached. Note your eyeglasses prescription, if any, in case you need to replace them while you are away.

✓ **Get out-of-country medical insurance.** Hospitalization in the U.S. can cost thousands of dollars a day, and provincial health insurance will cover only a fraction of the cost.

✓ **Review your life insurance.** Make sure your policies are up-to-date, with regard to both amount and beneficiaries.

✓ **Check property insurance details.** Some homeowners' policies restrict coverage while the home is unoccupied. You may need to arrange for someone to regularly check your property while you're away.

✓ **Verify automobile insurance.** Make sure your policy provides collision and personal liability coverage, both on your way to your destination and after you arrive.

Arrange your finances

✓ **Set up bill payment.** Before you leave home, update your banking arrangements with your Canadian financial institution so that you can easily pay your bills by Internet or telephone banking.

✓ **Open a U.S. account.** If you don't already have one, and you visit the U.S. often, having a U.S. account means you'll have ready access to U.S. funds without having to convert Canadian dollars on an ongoing basis. Also, you may want to consider holding investments that pay distributions in U.S. funds.

✓ **Arrange for cash flow.** If you're looking for regular income while you're away, set up a systematic withdrawal plan so that you receive a steady stream of income. In many cases, these payments can be automatically deposited into your Canadian bank account.

We can help you make the necessary financial arrangements for your time away — so you can relax, enjoy your trip and minimize the chances of any unexpected expenses. ■

Do U.S. taxes apply to you?

Even if you spend only part of the year in the U.S., you may be required to file a U.S. tax return and pay U.S. income tax. If the U.S. considers you a "resident alien," you'll be taxed in the U.S. on your total worldwide income. If you're considered a "non-resident alien," you'll be taxed only on income from U.S. sources.

A month or more. Residency is determined by how many days you generally spend in the U.S. each calendar year. If you spend more than 31 days in the U.S. within a calendar year, seek professional tax advice as to your U.S. tax status and the filing requirements that may apply to you.

Owning property. Tax issues may also arise if you own U.S. property, such as a vacation home. If you plan on renting out the property you'll find that, generally, rental income is subject to a 30% non-resident withholding tax. However, you may elect to file a U.S. tax return, in which case you would pay tax on your net rental income, and be refunded any of the withheld amount that exceeds your U.S. taxes payable. You'll be required to file U.S. taxes annually after making the election.

Estate implications. Depending on the value of your estate, the property may be subject to U.S. estate tax upon your death. If you're thinking of buying property in the U.S., you may want to consult a tax specialist who is familiar with cross-border planning to explore the possible tax and estate implications.

Get the plain truth about distributions

With the end of the year fast approaching, many mutual funds are getting ready to make their annual capital gains distributions. Investors who hold these mutual funds outside of a registered plan, either directly or through a portfolio solution, can expect to receive tax slips early next year showing these gains, along with any dividends and interest income, earned during the previous year.

The nature of these different distributions and how they are taxed can sometimes be confusing to investors. Here's how they work.

Types of distributions

Mutual funds earn interest and dividend income throughout the year from the investments they hold. If the fund has sold investments during the year, it may also incur a net capital gain or loss. Interest, dividends and net capital gains are distributed to unitholders so that they aren't taxed at the fund's high tax rate. Interest and dividends may be paid out monthly or quarterly, while net capital gains are distributed at year-end.

Generating capital gains

In addition to distributions from the fund, there are two other situations that may generate capital gains for unitholders.

Redemptions. The first occurs when fund units are redeemed or transferred to a registered account or to anyone other than a spouse. Any increase in the unit price over the unit's adjusted cost base (ACB, the average price paid for each unit) will generate a taxable capital gain.

Portfolio Funds. The second can occur when the investment is made through a managed assets program. If the portfolio has been rebalanced during the year, this rebalancing may generate a taxable capital gain. To maintain a target asset allocation, portfolio managers may rebalance by selling units of one fund and buying units of another. This sale of units can trigger capital gains if the units have increased in value.

Tax implications

As a unitholder, you may be able to choose to receive fund distributions in cash or to reinvest them in additional fund units. In either case, if you hold the units outside of a registered plan, the distributions are taxable. The distributions retain the associated tax benefits that may apply to them — so, only 50% of capital gains distributions are taxable, Canadian dividends qualify for the dividend tax credit and interest is fully taxable.

Keep in mind that reinvested distributions may affect your ACB. Since any future capital gain will be calculated from the ACB, be sure it's kept current. Otherwise, you may pay more capital gains tax than is necessary. Tax implications should never be the sole basis for making investment decisions; however, their effects on your overall portfolio shouldn't be ignored.

We can help you make tax-efficient investment decisions that don't conflict with your unique short- and long-term goals. ■

Make year-end tax-planning a priority

December 31 may still be several weeks away, but it's the deadline for some key tax-planning steps and events. Here are some tax-smart moves to consider:

Make RESP contributions for children or grandchildren. Even though Registered Education Savings Plan (RESP) contributions aren't tax-deductible, unused contribution room can't be carried forward. If you don't contribute by December 31, you miss out on the growth potential of the Canada Education Savings Grant (CESG) for 2006.

The CESG tops up the amount you contribute by 20% — to a maximum of $400 per child per year — and unused grant room can be carried forward. The annual contribution limit is $4,000 per child.

Make charitable donations. All charitable contributions must be made by December 31 to be claimed on your 2006 tax return. The first $200 in donations earns a 16% tax credit, while donations over $200 receive a 29% tax credit. You and your spouse can pool contributions to maximize the amount eligible for the higher credit.

Make political contributions. Political contributions must also be made by December 31 to be claimed on your 2006 tax return. Unlike charitable donations, political tax credits are highest at lower contribution levels. For 2006, you'll receive a 75% credit on the first $400 you contribute, a 50% credit on contributions between $400 and $750, and a 33.33% credit on contributions over $750, to a maximum credit of $650.

Make a final RRSP contribution. If you're turning 69 this year, you'll have to convert your Registered Retirement Savings Plans (RRSPs) into a Registered Retirement Income Fund (RRIF), or some other income option, by December 31. But even if you're winding up your RRSPs this year, you can still make a final contribution to use up your maximum contribution room and carry forward the deduction to a future year, or years, when it is most advantageous for you.

It's a good idea to review your 2006 tax situation with a tax professional soon. This will allow you to implement necessary portfolio adjustments and ensure you're on track to maximize your RRSP contributions.

Living well: The new face of spas

The days when health spas were synonymous with low-cal cuisine and gruelling exercise programs are long gone. Today, spas focus on offering health and wellness programs that are designed to be restorative and relaxing for both women and men.

An array of options

There are many different types of spas, each with a different focus. Here are the main spa categories to choose from:

• **Day spas.** Day spas offer body treatments like massages, facials, manicures and pedicures. You can choose treatments that last for as little as an hour, or a package that lasts the whole day. Day spas are found in all major Canadian cities, and may be freestanding or located in a hotel, health club or hair salon.

• **Destination spas.** Destination spas are designed for guests who want to focus on lifestyle enhancement and self-renewal. Stays range from a few days to a week or even longer.

Destination spas offer programs that integrate fitness, spa treatments, healthy cuisine and relaxation. Examples of Canadian destination spas include Hills Health Spa in British Columbia, Grail Springs Health and Wellness Centre in Ontario and Spa Eastman in Quebec.

• **Resort spas.** Resort spas are spas in resort settings, where spa treatments are offered along with other amenities, like golf and tennis. Healthy cuisine is available, as well as more traditional meals. Some examples of Canadian resort spas include Hastings House Country Estate on Salt Spring Island, British Columbia, the Post Hotel & Spa in Lake Louise, Alberta, Langdon Hall in Cambridge, Ontario and Inn on the Cove & Spa in Saint John, New Brunswick.

To find a spa near you, consider consulting the Leading Spas of Canada website at www.leadingspasofcanada.com. This organization is the only nationwide professional association representing the spa industry. You can also request a free spa directory through the website or by calling 1-800-704-6393.

Choose your treatments

Spas offer a variety of services to improve health and wellness, so you can choose the treatments that offer you the greatest benefit. A recent study of spa travellers by the Canadian Tourism Commission (CTC) and the International SPA Association found that massage was the most popular spa treatment.

Many spas offer a wide variety of massages – from hot stone massage, which uses warmed volcanic stones to massage the body, to lymphatic drainage massage, which uses pressure to activate the lymphatic system. Massages provided by a registered massage therapist may be covered by your insurance benefits. Consult a physician in advance, or choose an alternative treatment, if you have a condition that could be aggravated by massage therapy.

Spas for stress relief

No matter what type of spa you choose, or what treatments you pick, relaxation and stress relief are the main benefits of a spa vacation, according to the CTC study. So if you want to take a break from your routine, reduce your stress level and improve your overall health, a spa vacation may be the answer.

One of the key benefits of financial planning is knowing when and how you can indulge yourself. Whether your preference is a two-week stay at a spa resort or occasional afternoon getaways, spas can be a great way to indulge. ■

Find the spa that's right for you

If you're thinking of going on a spa vacation, it's important to find a facility that meets your particular needs. Here are some questions to ask when making your spa selection.

What's your spa goal?

Do you want pampering or beauty treatments or to lose weight and get started on a more healthy lifestyle? Make sure the spa's focus is compatible with your own.

What type of accommodation do you want?

There are a variety of options available, from domestic to international, city to country, and basic to luxury. Of course, your budget will play a key role in your accommodation decision.

What type of food do you want?

Your choices range from gourmet cuisine to lighter spa meals to a vegetarian or organic diet. And if you want to enjoy wine with your dinner, make sure to check whether or not the dining room is licensed.

What spa treatments are offered?

Services vary by spa — for example, some may not offer hydrotherapy — so investigate what treatments are offered. As well, to avoid disappointment, most spas recommend that you book your treatments before you arrive.

What do you want to do between treatments?

There is likely to be downtime between treatments, so make sure the spa location and amenities are compatible with your interests. You should also consider your options for evening activities, if none are offered through the spa. ■