

Well-Advised

Victor Malli, CFP
Senior Financial Planner
Email: vmalli@assante.com

Paul Attwell
Senior Mutual Fund Advisor
Email: pattwell@assante.com

Maisa Ferrero
Branch Manager
Email: mferrero@assante.com

Assante Financial Management Ltd.
Assante Estate and Insurance
Services Inc.

6451 B Applecross Road
Nanaimo, BC V9V 1N1
Telephone: (250) 390-7777
Fax: (250) 390-7776
Toll-Free: (866) 390-7711

In today's busy world, a little planning can go a long way to provide peace of mind.

The same principle applies to your financial plan. A yearly review can ensure your plan is in harmony with your changing lifestyle. Have you experienced any major life changes over the past year? If so, let's get together to discuss your financial plan.

Use your 2007 tax refund to your future advantage



Like many Canadians, you may be receiving an unexpected refund when you file your tax return this spring — courtesy of the federal government's tax cuts retroactive to the beginning of 2007.

It's a good idea to prepare your tax return as early as possible this year to get your potential refund working for you. Then, you can start thinking about how to make the most of your refund. Here are a few ideas to consider:

- **Pay down high-interest debt.** The faster you pay off debt, the faster you free up that money for other things — investing in your future, saving for a major purchase or taking a much-needed vacation.

- **Contribute to your RRSP.** Using your tax refund to make a lump-sum Registered Retirement Savings Plan (RRSP) contribution can help you take

advantage of tax-sheltered compound growth. Over time, this can give your retirement savings a big boost.

- **Chip away at your mortgage.** If your mortgage allows you to make prepayments without penalty, applying your tax refund toward the remaining principal can potentially save you thousands of dollars in interest charges.

- **Save for education.** Contributing to a Registered Education Savings Plan (RESP) is a great way to save for your child's education. The money grows tax-free, and the federal government will kick in an additional 20% of any contributions you make to the RESP — up to \$500 per year per child, to a lifetime maximum of \$7,200.

We understand that you have many different goals. Come in and talk to us about how to get the maximum financial benefits from your tax refund. ■

Secure investments: The right time to play it safe

Growth investments should play a role in most long-term portfolios. Still, there are times when security should come first — such as when you are saving for a short-term goal. That’s when conservative investments, such as money market funds, Guaranteed Investment Certificates (GICs) and high-interest savings accounts, can help.

Conservative investments have safety as their first priority, so your principal investment is either well protected or guaranteed. The trade-off is that your rate of return is likely to be substantially lower than the rates of return on other types of investments over the longer term.

That’s why conservative investments alone are not a good choice for long-term goals, such as retirement savings. They are, however, an excellent choice in situations where preserving your capital is more important than growth.

How to use safe investments

Consider these situations:

- **Shorter-term goals.** If you are saving for a vacation or down payment on a home, you’ll want to ensure your savings are conservatively invested so that the money is there when you need it.

- **Nearing completion of a long-term goal.** As you get closer to your retire-

Factor in inflation for a realistic plan

Inflation can have a significant impact on your investment portfolio over time, even at today’s low inflation rates. For example, if you’re currently in mid-career, and plan to retire in your sixties, inflation of just 3% a year could more than double your expected retirement income needs (see below).

Historically, growth investments, such as equities and equity mutual funds, have provided the best way to stay ahead of inflation. We can help you inflation-proof your long-term savings, in light of your objectives.

Loaf of bread	Southern holiday	Mid-sized car
		
2008: \$2.50	2008: \$2,000	2008: \$30,000
2032: \$5.08	2032: \$4,066	2032: \$60,984

ment date, you’ll probably shift your asset mix towards more conservative investments, such as bonds and segregated funds. That’s because the need for capital preservation grows as you get closer to withdrawing your savings for income.

- **Diversification of asset mix.** Most diversified portfolios will include some

conservative investments, even for long-term goals. For example, even a growth-oriented portfolio might include 5% in secure investments.

- **Temporary safe haven.** If you want to contribute to a longer-term goal such as retirement, but need time to make an investment decision, a money market fund can be a secure place to temporarily park your money.

Be strategic

Although safer investment choices may not provide you with growth potential, there are ways to get more for your savings. That’s why it’s a good idea to avoid bank accounts that pay little or no interest.

Instead, make use of the safe choices available that pay a higher rate of return, such as money market funds, GICs and high-interest savings accounts. This will help ensure your money retains its value over time.

We can help you match your investments to your goals and make the most of your conservative savings choices. ■



How you can benefit from tax-smart investing

While taxes on investment income aren't a concern when you invest inside a tax-deferred RRSP, it's a different story for your non-registered investments. Investment income that's earned in a non-registered investment account is taxed in the year it's earned.

Tax treatment

The tax treatment of your investments depends on the type of income that they generate. Your marginal tax rate, along with your province of residence, will also affect the taxes you pay on your investment income.

Here's an overview of how different types of income are taxed.

Interest income is taxed like your employment income, so you'll pay tax at your full marginal rate in the year you receive the interest payment or it accrues to you.

Dividends received from Canadian corporations are also taxable each year, but receive more preferential treatment because of the federal and provincial/territorial dividend tax credits that you claim when filing your return. The actual rate varies by province — from a low of 10.2% in B.C. to a high of more than 26% in Newfoundland and Quebec for a taxpayer earning \$75,000 in 2007.

Capital gains arise when you sell or transfer stocks, bonds, mutual funds, real



estate or other capital assets during the year. Only 50% of a capital gain is taxable. For example, if you receive a \$20,000 gain when you sell an investment, \$10,000 of that gain is received tax-free, with the other \$10,000 taxed as ordinary income.

In addition, you aren't taxed on capital gains until you actually sell or transfer the investment, so you can time your capital gain. However, mutual funds may distribute capital gains arising from their investment activity to unitholders. This income must be reported the year it is received.

Return of capital

Some capital investments, such as income trusts and high-income investment funds, also distribute return of capital. Return of

capital payments are received tax-free, but the adjusted cost base of your investment for tax purposes will be reduced by the amount of the payment. This increases the capital gain (or reduces the capital loss) you earn on your investment when you sell it. So while return of capital payments can appear to be tax-free, they are really a form of tax deferral on the capital gains you may eventually pay when you sell the investment.

Working together

When your investments work together effectively, they may attract less tax. If you invest both inside and outside your RRSP, it can be advantageous to hold investments that earn interest — such as GICs and bonds — as part of your RRSP, where they can compound free of tax.

Investments that generate capital gains or Canadian dividends can be held in your non-registered portfolio, where they receive more preferential tax treatment. Keep in mind, however, that taxation is just one consideration in structuring your investment portfolio.

Consolidating your registered and non-registered investments with one institution can make it easier to strategically allocate your investments and minimize the taxes you pay. We can help ensure your portfolio is structured in the most tax-effective manner. ■

INVESTMENT PLANNING

Don't rule out income trusts yet

Changes to income trust rules have been in effect for more than a year and a half. Now that the dust has settled, it's a good time to take a look at the income trust landscape.

To recap, beginning in 2011, income trusts will be taxed more like corporations, and most distributions that you receive from an income trust will be taxed at the rate that applies to Canadian eligible dividends.

While these changes have led many investors to abandon income trust investments, there are several reasons why

income trusts may be worth considering as part of a diversified investment portfolio.

REIT rules remain the same. The tax changes for 2011 will not apply to Real Estate Investment Trusts (REITs), which will continue to operate under existing income trust rules.

The strong survive. The new rules have eliminated many weak income trusts from the investment landscape. As a group, trusts are now stronger than they were before the changes were announced.

Return of capital still available. The

rules relating to return of capital distributions remain unchanged, so if you hold an income trust that distributes return of capital, you will continue to receive these payments tax-free.

We can help you assess the role that income trusts can play in your portfolio, in light of your goals and tolerance for risk. ■



Match credit card features to your needs

Credit card providers are becoming increasingly innovative in what they offer. If you haven't reviewed what's available, you may be missing an opportunity to better match your financial needs and spending habits with a card that will maximize the benefits for you.

Consider financial rewards

While travel rewards are likely to remain the most popular form of credit card reward program, the number of cards that offer direct financial rewards is growing.

Credit cards are now available that can help you reduce your mortgage, increase your Registered Education Savings Plan (RESP) savings and provide a cash-back reward based on the amount of your purchases.

Match rewards to your needs

The card that offers the most value to you will depend on your personal financial needs. For example, \$15,000 worth of spending on one credit card might give you one short-haul flight worth \$300. On the other hand, that same spending on a different card might give you \$100 to contribute to an RESP.

While it would seem that the travel reward is more valuable, you'll need to factor in the 20% Canada Education Savings Grant that your RESP contribution will attract, plus the tax-sheltered compound growth over time. Suddenly, that \$100 can grow in value.

What's more, saving for your child's

education may top your list of priorities. With non-travel programs, you can choose rewards that help you reach your financial goals.

Travel still king

For the many people who enjoy travel, airline tickets and other travel benefits remain the credit card rewards of choice. These programs offer not only comparable or better value than financial rewards, they also offer the psychological benefit of saving for something that truly feels like a reward — a free vacation.

There are many types of travel reward programs, all with their own unique benefits and restrictions. Many rewards go beyond airline tickets to include hotels, car rentals and merchandise. Some card programs are now hybrids, giving you the choice of travel-related rewards or financial rewards, such as paying down any debt you hold with that financial institution.

Watch the costs

Whatever the type of card you choose, it's important to ensure that any rewards offered aren't offset by other costs associated with the cards, including the interest costs of running a balance from month to month. It just may be that a simple low-interest or no-fee credit card is more suited to your needs.

At your next financial review, let's consider all the ways to meet your goals, including the role credit card rewards might play. ■

Watch the details with credit card insurance

There is a lot of fine print when it comes to the insurance offered with credit cards. Some of it can work to your advantage. On the other hand, there may be limits on the coverage you thought you had.

Know your coverage

For example, your card may offer lost baggage coverage or double the manufacturers' warranty on products. It's worthwhile to learn about the insurance coverage your credit card provides — this way, you can avoid purchasing insurance for protection you already have.

Alternatively, your car rental coverage might limit the type of car that you rent, with restrictions on luxury cars, pickup trucks or other vehicle types. It may also limit where you can travel for coverage to apply. Be sure to check on any out-of-province restrictions if you're planning a more extensive trip.

Medical insurance

If your card carries out-of-country medical coverage, you'll want to ensure the limit is high enough to cover any medical costs associated with a major accident or illness. If you have any doubts about your level of coverage, you should consider buying additional supplemental protection from a private insurer.

Before you travel, take the time to understand the benefits, limits and restrictions that may apply on your card's insurance coverage. ■