January - March 2013

Be well-advised.

MONEY *matters*

RRSP AND TFSA FACTS FOR 2013

The RRSP season is upon us once again and It is time to top up retirement savings and take advantage of tax savings opportunities to reduce your taxable income for 2012.

The deadline for making RRSP contributions is February 28, 2013. The maximum RRSP contribution limit for 2012 is the lower of 18% of your 2011 earned income or $22,970 minus your pension adjustment which reflects your company pension plan contributions if you are a member of a registered pension plan. Your pension adjustment is reported in box 52 of your T4 slip.

For RRSP purposes, earned income includes your salary or wages, bonuses, alimony received and rental income. It does not however, include dividends or investment income.

If you did not use your full RRSP contribution limit for the years 1991-2011, you can carry forward the unused amount to 2012. Therefore, your RRSP contribution limit for 2012 may be more than $22,970. The easiest way to find out your RRSP contribution limit for 2012 including the carry forward from previous years is to check your 2011 notice of assessment.

The RRSP contribution limit for 2013 is scheduled to increase to $23,820 plus an inflation indexed amount.

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"The TFSA contribution limit for 2013 has been raised to $5,500 from $5000."

You can make your RRSP contributions online to your self-directed Assante RRSP accounts the same way you would do any online bill payment. If you need help in this regard, please call our office at (905)707-5220.

TFSA CONTRIBUTION LIMIT FOR 2013

The TFSA contribution limit for 2013 has been raised to $5,500 from $5000. Therefore, if you have not made any TFSA contributions yet, you wil be able to contribute a maximum of $25,500 in January 2013. This includes $5,000 for each year from 2009 to 2012 plus $5,500 for 2013.

If you have made contributions in the past, you need to deduct your total contributions from $25,500 to arrive at the maximum amount you can contribute. If you have made withdrawals from your TFSA, you can add the amount withdrawn back to your TFSA in the calendar year following withdrawal.

Over-contributions to a TFSA account are subject to a penalty. If, at any time in a month, you have an excess TFSA amount, you are liable to a tax of 1% on your highest excess TFSA amount in that month. Therefore you need to keep careful track of your contributions to and withdrawals from a TFSA account to make sure you do not exceed your maximum allowable contribution limit.

TOP 10 REASONS YOU SHOULD CONTRIBUTE TO A TAX FREE SAVINGS ACCOUNT

- If you have maximized your RRSP contributions, the TFSA gives you another way to shelter $5,500 per year of your investments from taxes.

- TFSAs can be a great place to hold emergency funds as you can hold short-term interest-bearing instruments in a tax-sheltered environment and enjoy tax-free interest income, in addition to being able to withdraw and re-contribute as needed.

- TFSAs enable you to gift $5,500 per year to your spouse, partner or child (over age 18) without having to worry about attribution of income or capital gains

- If your income is under $40,000 and you expect it to increase over this amount in coming years, you would be better off contributing to a TFSA rather than an RRSP. You can then transfer your TFSA savings to your RRSP when you are in a higher tax bracket and take advantage of higher tax savings.

- If you are contributing $2,500 per year to an RESP to save for your children's education and taking advantage of the 20% Canada Education Savings Grant, then the best place to save an additional $5,500 per year for this purpose would be a TFSA.

- If you are an aggressive investor and expect to have substantial capital gains on your stock or mutual fund investments in the future, you can shelter those gains from taxes by investing those securities in a self-directed TFSA account.

- If you expect to be in a higher tax bracket during retirement than the one you are in during your working years (this is rare but could happen due to inheritance or other factors), you should maximize your TFSA contributions as withdrawals from a TFSA are not subject to tax, unlike RRSP and RRIF withdrawals that are fully taxable.

- TFSA proceeds are completely tax-free at death and no probate taxes will apply either in provinces like Ontario where a beneficiary designation is allowed. Therefore, a TFSA will allow you to minimize your estate taxes.

- If you are saving to purchase a second home or investment property and have already used the RRSP Home Buyers Plan, the TFSA will allow you to shelter the interest income from your savings from taxes and withdraw them tax-free as well.

- If you are close to retirement with very modest savings in an RRSP and no company pension plan, you should consider channelling all your savings to a TFSA account as this will allow you to maximize the government benefits you will receive at retirement.

YOU CAN DEFER OAS STARTING JULY 2013

Effective July 1, 2013, a new Old Age Security (OAS) deferral option takes effect that will allow you to defer receiving OAS for up to five years. Similar to the Canada Pension Plan, deferring receipt of OAS will result in a higher actuarially determined benefit.

For each month that you defer receiving your OAS payments, a premium of 0.6% will be added to the pension. This works out to an increase of 7.2% for one year of deferral and as much as 36% if you elect to defer receiving your OAS payments for a full five years.

The 2012 budget papers that introduced this measure provided an example that assumes an annual OAS benefit of $6,481. Deferral by one year would result in an annual benefit of $6,948, while a five-year deferral would result in an annual benefit of $8,814. It should be noted that this actuarial adjustment would not apply to Guaranteed Income Supplement (GIS) benefits.

What is the Ideal Age to Begin OAS?

According to Doug Carroll, Vice President of Tax and Estate planning at Invesco Canada, in an article published in the

"Starting July 2013, for each month that you defer receiving your OAS payments, a premium of 0.6% will be added to the pension."

November 2012 issue of the Advisor's Edge Report (page 20), "...it appears that a 65-year-old who expects to live past age 82 will draw more OAS dollars by deferring to age 70."

There are other complicating factors that need to be taken into consideration too, such as the threshold at which OAS gets clawed back ($69,562 in 2012), federal and provincial age credits and the GST/HST credits.

Doug Carroll goes on to say: It's worth analyzing the effects of deferring OAS pension in favour of earlier or larger RRIF withdrawals. Potential benefits include:

- People not yet drawing any RRIF income can claim the pension credit on the first $2,000 of such income;

- During the deferral period, the clawback won't apply because there is no OAS pension;

- The OAS pension will be augmented for each month deferred;

- The size of the RRIF will be reduced, so there's a lower value that's subject to the post-71 minimum withdrawal – a key culprit of clawbacks;

- Even if the OAS clawback applies later, the pension itself will be larger, meaning the upper threshold for full clawback will be at a much higher income level."

Of course if you are suffering from a health issue that has the potential of shortening your life expectancy, it would be best for you to begin your OAS pension as soon as it becomes available, which would be at age 65.

The new options make retirement planning more complicated and you should definitely discuss the implications of the different options with your financial advisor before proceeding with choosing an option.

THE RISKS OF OWNING PROPERTY JOINTLY

Owning property jointly with adult children is seen by many parents as a solution for simplifying the administration of their estates, a way to avoid or reduce probate fees (Estate Administration Tax in Ontario), and in some cases even saving the cost of preparing a will.

Under this arrangement, property (real estate, stocks, mutual funds, etc.) is held as joint tenants with rights of survivorship (JTWROS). Joint tenants share equal ownership and have equal rights and control over the property. Upon death of one of the joint owners, property goes to the surviving joint owner and not to the estate of the deceased joint owner.

While this arrangement can work in certain circumstances, it can have many negative consequences that need to be taken into account as well. The following are six risks to holding property jointly that you need to consider:

1- Once you gift your interest in a property you cannot reverse your decision without the consent of the other owners. A separation from your spouse or estrangement from one or more children can create a very difficult and unpleasant situation and, can cause permanent loss of control on the property.

2- The transfer can trigger capital gains taxes and have immediate negative consequences. So make sure you take the potential capital gains resulting from the transfer of assets into the joint account.

3- The property will be at risk if any of the joint owners get into financial trouble, marriage breakdown, or any other legal disputes and will be open to the claims of creditors.

4- If you hold the property jointly with one child and have other children, and that child claims that you wanted him/her to be the sole owner of the property after your death, lengthy and expensive legal disputes are bound to arise between your heirs, as the other children could claim that you established the joint tenancy for convenience and ease of administration only and the property was supposed to be held in trust for your estate.

5- If you hold your principal residence in joint tenancy with your children you will lose out on the principal residence exemption and capital gains on the property will be taxed on sale or at death.

6- Since the joint owners have full rights and ownership in the property you run the risk of abuse of the arrangement by the joint owners.

The truth of the matter is that joint ownership by itself cannot replace a well thought out estate plan. Proper estate planning takes advantage of a multitude of strategies and solutions to fit each unique situation and it is a worthwhile conversation to have with your financial advisor that can save your heirs thousands of dollars in fees and administration costs as well as the aggravation of getting caught up in a lengthy and costly legal battle.

THE JOY OF AGING 2012

A FUNDRAISER FOR MACKENZIE RICHMOND HILL HOSPITAL

On Sunday, October 21st, 2012 over 350 women gathered at Bellvue Manor in Vaughan to raise funds for the Mackenzie Health Foundation (Formerly York Central Hospital Foundation), learn about healthy aging, fitness, how to improve their mental health, and build new friendships.

The event was organized by financial planners, Tina Tehranchian, Janine Purves and their team at the Richmond

"Joint ownership by itself cannot replace a well thought out estate plan."

Hill branch of Assante Capital Management Ltd. Erin Davis, the co-host of CHFI's 98.1 Morning Show was the master of ceremonies and Rona Maynard, the former editor of Chatelaine, was the keynote speaker.

The morning started with the beautiful sound of Dave McLaughlin's saxophone which was followed with a speech by Vivian Risi, owner of Royal LePage Community Realty, director of Mackenzie Health Foundation and one of the Platinum Presenting Sponsors of the event. She talked about her history of philanthropy and her special relationship with Mackenzie Richmond Hill Hospital. Keynote speaker, Rona Maynard, inspired the audience with her life story, recounting her battle with depression, how she learned to replace the negative barriers in her life with positive ones and encouraged the attendees to do the same.

To promote discussion after the keynote speaker, an expert panel consisting of Dr. Gus Zachos, Dr. Nick Voudouris & Dr. Nasreen Khatri was given the opportunity to answer questions from the audience. Financial planners, Tina Tehranchian and Janine Purves, also the Platinum Presenting Sponsors, then delivered a fun and entertaining presentation about women and money.

With the engaging and informative keynote speaker, the insightful humor of renowned comedienne, Judy Croon, fun activities, such as an energizing fitness break sponsored by Moksha Yoga Maple and interesting sponsor booths to visit – the morning proved to be a great success.

The event helped raise over $40,000 which will not only be used to fund Mental Health Programs for Mackenzie Richmond Hill Hospital but will pay for four new psychiatric beds and renovations required to ensure the comfort and safety of patients and staff members.

The sponsors of the event included an array of national and local businesses including: Assante Capital Management Ltd. Richmond Hill Branch, Bell Canada, Royal LePage Community Realty, BodyScience Medical, CI Investments, John Paul & Co., Chartwell Classic Valley Vista, Delmanor Elgin Mills, Dynamic Funds, Fidelity Investments Canada, Holistic Health Clinic, Mackenzie Financial, Manulife, Murray Higgins, RBC Global Asset Management.

In addition to our staple media sponsor (The Liberal newspaper), More, Dolce and City Life magazines were among the media sponsors of this year's event. Fairprint was the printing sponsor, and the McMichael Canadian Art Collection, who provided each attendee with a day pass to the gallery, was the community sponsor. Prestige Salon provided hair touch-ups, the proceeds of which were donated to Mackenzie Richmond Hill Hospital.

Dr. Gus Zachos, Dr. Nasreen Khatri, Vivian Risi, Rona Maynard, Tina Tehranchian, Erin Davis, & Janine Purves

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"The event helped raise over $40,000 for Mackenzie Richmond Hill Hospital."