

# INVESTED INTEREST



**FundEX**  
INVESTMENTS INC.

Mutual Funds provided through FundEX Investments Inc.

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## Office News

The first half of 2008 has certainly kept us busy. Between RRSP contributions, tax preparation, general financial planning, and insurance counselling, our practice continues to thrive. As always we give thanks to you, our loyal clients.

We have added a new member to our team. **Please welcome Agnieszka Ziemkiewicz** as our Administrative Assistant. Afton Smith is expecting to complete her mutual fund licensing this summer and will begin to assist us with more detailed financial planning issues and investment planning.

Construction is an annual summer event in Ottawa. Our section of Wellington Street has been chosen for a face-lift and will be having work done all summer long. It may impact accessibility and ease of entry to our office. When you book your appointment we will advise you of alternate routes to avoid some of the road works.

## Victims of Fraud

We continue to caution our clients on the **very real threat of identity theft and fraud**. Things do not appear to be getting better, in fact it may be getting worse. March was Fraud Prevention month and according to a study commissioned by the Competition Bureau of Canada in conjunction with Fraud Squad TV and Capital One, 41% of Canadians aged 18-34 said that they or someone in their household have been a victim of fraud. Even more staggering is the fact that Canadians aged 18-34 are less likely (20%) to consider reporting incidents of fraud to police. The problem is clearly huge.

"Young people are quickly becoming a prime target for fraud. As fraudsters continue to take advantage of new technologies to scam innocent victims, the prominence of technology in young peoples' everyday lives makes them a likely target for computer-based scams," says Craig Hannaford, retired RCMP Fraud Investigator and Executive Consultant of Fraud Squad TV. "Feedback from our law enforcement network and our audience indicates that there is a huge gap in educating youth about the dangers of identity theft and fraud. We need to take immediate action."



To learn more you can visit the Fraud Squad TV web site at [www.fraudsquadtv.com](http://www.fraudsquadtv.com) or the Competition Bureau web site at [www.competitionbureau.gc.ca](http://www.competitionbureau.gc.ca).

## Guaranteed Retirement Income For Life

Interest rates are low, inflation is rising and stock markets are volatile. Concern is building about not having enough savings for retirement. These factors can lead to frustration, uncertainty and a sense of insecurity. How can you **regain control and a sense of security** about your investments and income?



There is a solution. We are now offering a new investment option that is designed to relieve financial stress both before and after retirement. The insurance industry has identified key complications in the financial world and responded to client concerns. They have created an investment vehicle that includes a guaranteed return with the further enhancement of a guaranteed income for life.

Here's how it works. Market risk can be eliminated before and after retirement. There is a 5% annual guaranteed income bonus every year for the first fifteen years without a withdrawal. An investment at age 50 is guaranteed to grow by at least 75% by age 65. If your investment performs above the 5% guarantee the investment gain is locked-in at the higher value every three years. At age 65 you are guaranteed an income for life that will never decrease and may even increase if your investment performs well.

Here's a simple example. Someone invests \$100,000 and leaves the money for 15 years. The worst-case scenario is that the account will have a value of \$175,000 to base income for life. Income for life is guaranteed to be 5% of the value. In this example the guaranteed income for life is \$8,750 per year. Both the fifteen-year guaranteed value and the guaranteed income for life have the potential to be greater subject to good performing markets. Every three years the values are reset and then guaranteed for life. In this example the income for life will never be less than \$8,750.

This may be the closest thing to the old saying, "Have your cake and eat it too." Contact us today and we will walk you through the features, benefits and costs associated with this revolutionary investment vehicle.

## Your Notice of Assessment

Income tax season just past and **you have probably recently received your Notice of Assessment**, NoA, for 2007. This is the annual statement sent by the Canada Revenue Agency, CRA, detailing your income, deductions and the amount of income tax you paid. It may also show that you owe more tax or you received a refund. Hopefully the latter was your case.

The NoA will include your Registered Retirement Savings Plan deduction limit for 2008. Your contribution room is an important number to watch. Any amounts contributed above this limit may be considered excess contributions. Over contribution above \$2,000 are subject to a penalty tax of 1% per month.



**It is important to review your Notice of Assessment to determine if the government has challenged your income tax filing. Make sure and check your RRSP Deduction Limit Statement. Line A is your deduction limit for 2008 and Line B will show you if you have made any over contributions that may be subject to penalty tax.**

## Tax Free Savings Account

The Federal Budget of 2008 proposed a **new Tax Free Savings Account**, TFSA. Subject to receiving royal assent, the TFSA is probably the most significant saving initiative since the introduction of the Registered Retirement Savings Plan.

Of course the program is subject to change but here's how the TFSA is proposed to work. Starting in 2009, Canadians aged 18 and older can save up to \$5000 every year in a TFSA. Contributions to a TFSA will not be deductible for income tax purposes but investment income, including capital gains,



will not be taxed, even when withdrawn. Unused TFSA contribution room can be carried forward to future years. You can withdraw funds from your TFSA at any time for any purpose. The amount withdrawn can be put back in the TFSA at a later date without reducing your contribution room. Neither income earned in a TFSA nor withdrawals will affect your eligibility for federal income-tested benefits and credits. Contributions to a spouse are permitted and TFSA assets can be transferred to a spouse upon death.

The idea is that the TFSA can be used for retirement or other life goals such as purchasing a new vehicle, house renovations, children's education, starting a business, or family vacations. The sky's the limit and all tax-free. We will keep you posted on further developments as the year progresses.

## A Charitable "Miracle"

**The proposed \$51.7-billion sale of BCE to the Ontario Teachers Pension will be the largest takeover in Canadian history.** If approved, all common shares will be purchased for \$42.75.



This transaction could mean a huge and unexpected tax bill for Canadians. Let's illustrate with an example. Mary Smith owns 8,000 shares of BCE that will be valued at \$342,000. Assuming she paid \$100,000, Mary will be forced to declare a \$242,000 capital gain of which 50% is taxable income. At a 40% marginal tax rate Mary now owes about \$48,400 in tax.

If Mary donates 2,000 shares to her favourite charity she will receive a donation receipt worth \$85,500. Charitable giving rules exempt capital gain tax on donated shares. Now her capital gain is based on 6,000 shares or \$256,500 with a cost base of \$75,000 for a gain of \$181,500. 50% is taxable income and she now owes about \$36,300 tax but her donation credit is worth about \$34,200 leaving her with a balance owing of \$2,100. By donating a portion of shares prior to the takeover, Mary can effectively eliminate a potential tax problem AND achieve her philanthropic objectives. This example is a creative way to help others while helping yourself. Contact our office for more on charitable giving ideas.

### Keep In Touch

We welcome your suggestions, ideas, comments and questions by email at [rick@invested-interest.ca](mailto:rick@invested-interest.ca).

You can also contact us at: 1276 Wellington Street, Ottawa, Ontario K1Y 3A7.

Phone us at 613-798-2421 or fax us at 613-798-2427

Don't forget to check our website for interesting articles, new links and updates at [www.invested-interest.ca](http://www.invested-interest.ca)

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