



## Office News

### Construction on our section of Wellington Street is all but complete.

No doubt there will be small work crews making final repairs but we are pleased that construction appears to be over and clients will have an easier time getting to and from our office. On a note of caution, construction on

Wellington Street, east of Parkdale, has started and the area is looking much like a war zone and should be avoided. We recommend clients approach our office from Island Park if possible.

Afton Smith, our assistant, has decided to pursue other employment opportunities and has resigned from our office. We wish Afton the very best. Agnieszka Pokrywka has been with us for almost eighteen months and is more than capable to handle all your enquiries and administrative service needs.

architects, accountants, real estate commissions, etc. Even your cup of coffee purchased at Tim's will now be subject to an 8% tax increase. And guess what? Mutual fund management expenses, you know – the dreaded MERs, are currently provincial tax exempt. Under a harmonized tax system you will pay a higher MER on your mutual fund accounts and therefore it will eat into your return.

It's not all bad news. The province is desperately trying to sell the concept by offering sweeteners. Some of the proposals include offering cash payments of up to \$1000 for 2010 and 2011 for families earning less than \$160,000 a year, a new permanent \$260 refundable sales tax credit for low to mid income adults and children, an enhanced refundable property tax credit for low and middle income home owners and tenants, new homes under \$400,000 would be exempt from the new blended tax and \$1.1 billion in personal income tax cuts. Sounds like a sales job to me. What do you think?

The harmonized tax is set to come into effect July 2010. Contact your MPP if you would like more information or would like to voice your opinion. If you feel strongly sign a petition against the "unfair tax grab" as many are calling it. There are plenty of web sites with petitions and information on this harmonized tax system.

## Harmonized Sales Tax

**Do you feel you already pay more than your fair share of taxes?** Did you vote for a tax increase? Probably not. But that's what is about to happen. Dalton McGuinty's Ontario government is planning a major tax reform that will combine both the provincial and federal sales tax on products and services. This is called tax harmonization.



The idea is that there will be one sales tax charged at 13% when you make your purchase, instead of two. Currently we pay 8% provincial PST and 5% federal GST. So what's the big deal if the numbers work out the same, you may ask?

Well the rules are different at the federal level, which is how the tax would be calculated, and things that are currently not subject to provincial tax would all of a sudden become taxable under a harmonized tax system.

Consumers will see an increase in the price of gasoline and heating fuel. Electricity will no longer be exempt from provincial sales tax and neither will tobacco, personal services such as hair cuts, membership fees for clubs and gyms, newspapers and magazines, taxi fares, and the professional services of lawyers,

## Creditor Protection for Business Owners

### In the past business owners had very few options to protect their Registered Retirement Savings Plans (RRSPs) from seizure in the event of a Bankruptcy.

Segregated funds issued by life insurance companies were one of the few options that business owners had for protection.

In July 2008 the Ontario government introduced Bill C-12 which put all RRSPs on a level playing field. Mutual fund accounts are now protected against creditors in the event of bankruptcy. All money that has been in your RRSP account for more than one year is now protected against creditors. As a measure to prevent abuse, contributions made in the 12 months leading up to bankruptcy are not exempt. Plus, a trustee can also seize registered plan assets in a bankruptcy if funds were deposited to the plan within the previous five years and the bankrupt client was insolvent at the time of the deposit. Thus any attempt to transfer the property into a registered plan in anticipation of entering bankruptcy will not provide protection.



## Make Saving a Habit

**Many Canadians appear to be missing the boat when it comes to saving.** As simple a concept as saving appears to be, it is being missed by many. But it wasn't always this way. According to Statistics Canada, Canadians saved 10% or more between the years of 1973 to 1993. Our savings rate reached a peak of 18.5% in 1982. Then, in 1993, our saving habits began to breakdown. By 1999 the saving rate dropped to 3.6%, and in 2007 the rate made it to negative territory at minus 1.4%. Yes, people were spending more than they earned. There is no question that taxes and higher costs of living play a factor, but it also appears that people have forgotten how to save. In recent years saving appears to have been replaced with a juggling act of credit, borrowing from one loan or line of credit to pay for another.

Many Canadians have no plan and minimal savings to fund a comfortable retirement. So what is the solution? You may have to train yourself into a saving habit. Set up automatic withdrawals from your bank account so that you make regular deposits into your savings vehicle. The concept is to take the money and hide it before it can be spent. And yes, it will involve discipline and deferring instant gratification. But it usually is not as bad as it may appear. This is the only way to truly achieve financial independence. In addition you benefit from not having the temptation to time the market. The trick is to get started. Call us today if you would like to start, re-start or just increase your regular savings habit.



Here are a few facts as reported in the press. Jones was not registered with any securities regulator, not affiliated with any securities dealer or insurance distributor, and had no professional designation. Yet for years he befriended Montreal residents and convinced them to entrust their savings to him. For some, it was their life savings. Now there appears to be about \$50 million missing.



We want to remind our clients that when dealing with our office there are safeguards in place for your protection. Since Jones was not licensed there was no authority looking over his shoulder and there is no regulatory protection fund to help his clients.

We must follow the rules and regulations set out by our licensing body in Ontario, the Ontario Securities Commission (OSC). An additional layer of regulation comes from the Mutual Fund Dealers Association (MFDA). These regulatory authorities enforce the regulations and code of professional conduct that are designed to protect the consumer from scoundrels like Jones.

We are also members of professional organizations which include the Institute of Advanced Financial Planners (IAFP) which is responsible for our R.F.P. designation. The Financial Planners Standards Council (FPSC) is responsible for our Certified Financial Planner (CFP) designation. The Chartered Life Underwriters Institute issue and monitor our Certified Life Underwriter (CLU) designation. Credentials in a professional organization assure consumers that there is an additional layer of credibility. Each of these memberships has minimum education standards and requires annual certification.

If you are currently not receiving our E-Bulletins, and would like to be put on our list please let us know.

## Financial Advisor Scam - Update

This is an update to our E-Bulletin sent to our clients on our email list on August 1, 2009. If you did not receive this bulletin or would like a copy, please let us know.

**Bertram Earl Jones, the person posing as a financial advisor in Montreal, has turned himself in to the authorities.** He is out on bail and awaits his trial on multiple charges of fraud.

### 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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