



Wealth Matters - Spring 2006

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Our New Look

Page and Associates has been a financial planning firm for over twenty years, and for most of those years our logo has been a green circle. We've changed our logo to better represent our financial planning process - the eight arrows represent the eight steps of our financial planning process. As we run out of the old stationery, you'll start to see more and more of our communications materials using our new logo. In addition, we began a new association with Worldsource Financial Management as our investment funds dealer last fall, to enhance the products and services we are able to provide. You'll see the Worldsource logo on our communications that relate to your investment fund holdings.

A Change of the Seasons

What comes after winter? Taxes! As we pass the 'official' start of spring, you're probably busy gathering up all of your tax slips and other records to prepare to file your income tax return before the April 30th deadline.



While it is too late to change your taxable income for 2005, now is the time to plan ahead to reduce your taxes for 2006. The payoff can be substantial....

The highest income tax rate on the last dollar of taxable income in Ontario is just over 45%. While this is lower than it has been in some years, there are cases in which the actual effective tax rate you pay is much higher than this. For example, if you're already retired, and your net income is over \$62,000, you will have your Old Age Security benefit reduced. When this impact is factored in, the effective tax rate on income between \$62,000 and about \$100,000 can be as high as 51%! Ouch!

One of our roles as financial planners is to identify opportunities for you to reduce or defer taxes. Although there are few tax deductions remaining to the average taxpayer, here are a couple of strategies that still work:

- Use RRSPs. If you (or your spouse) are age 69 or less, you can still use a RRSP or Spousal RRSP to defer tax on income this year, and on all investment returns earned in your RRSP. We can help you determine whether it makes sense to continue to invest in a RRSP, or if other strategies would work better for you.
- Convert interest income to other types of investment income. The tax rate on Capital Gains and Dividends is much lower than it is for income-producing products such as GICs. At a 50% tax rate, 4% of annual GIC interest nets you only 2% after tax, which is less than the inflation rate! 4% dividend income would net 2.35% and 4% capital gains would net 3%. You don't need to buy stocks to earn dividends and capital gains - there are products available now which invest in bonds, debentures or loans, but which convert their income into capital gains and dividends, thereby reducing the effective tax rate while still maintaining a low level of portfolio risk.
- Claim the Canadian Exploration Expense deduction. Certain investments can provide a tax deduction for oil, gas, and mineral exploration done by Canadian companies. You can deduct the full purchase price of these investments from your taxable income in the year that you purchase them. And after only 2 years, you can sell the investment without losing the value of the deduction. Clients using this strategy year after year can reduce their taxable income substantially. Some of our clients have implemented this strategy through Tony Porcheron, one of our associates at Worldsource Securities Inc. (see below for more information).
- Use an Estate Bond strategy. If you expect not to use up all of your RRSP/RRIF and other investments during your lifetime, you could substantially reduce your taxable income. An RRSP or RRIF will be fully taxable at the time of your death (or your spouse's death, if later), and any non-RRSP money generates taxable income each year, limiting the amount available to your estate beneficiaries. An 'Estate Bond' strategy lets you contribute the value of assets not required to provide retirement income, defers tax on investment income between today and the date of your death, and then passes the full value to your estate beneficiaries without any tax.

These are just a few of the strategies our clients have been using to invest efficiently and minimize their taxes. There are many, many more strategies that could help you achieve your goals - we'll cover some more in a future newsletter.

These strategies are not for everyone. We would only recommend a particular strategy after fully understanding your unique situation, objectives, and values. We would be glad to offer a complimentary 'Initial Assessment and Evaluation' meeting, and a written 'My Life - My Wealth' report of the areas in which we believe we could help you achieve your financial goals. Please call us if you would like to discuss this opportunity.

High Interest Savings

Because of the administrative work involved with continually re-investing short term GICs and term deposits, we have essentially ceased offering GICs with terms less than one year. In the past three years we've been able to help over 500 of our clients set up an ING Bank High-Interest Savings account. This is a separate savings account that pays interest at rates almost as high as 90-day term deposits, but without all the paperwork to reinvest the maturing deposits. You can transfer funds to and from your regular chequing account anytime by telephone or internet – and earn over 3% interest (as of April 1 2006).

Self-Directed Accounts – Easy and Free!

Today's regulatory requirements can make it cumbersome and time-consuming for you to manage your GIC portfolio. If you hold a portfolio of 20 GICs in a '5-Year GIC Ladder' strategy, there are usually about 4 deposits maturing each year, requiring you to provide instructions and perhaps sign a form or two. You'll also receive up to 20 tax receipts to account for the interest paid each year. And if you are receiving interest payments, you'll have multiple bank deposits to make.

There is a much easier way! Worldsource Financial Management offers a self-directed account that can hold both investment funds and GIC products. A self-directed account offers these several benefits, including:

- All of your holdings can be together in one account to allow for all reporting on one statement
- We can take your orders to administer and re-balance your portfolio with just a phone call. That means fewer forms for you to sign and mail.
- Matured GICs with no instructions on file automatically mature to the cash account, which currently pays 2.25% interest while we await your instructions, or combine several smaller GICs into fewer larger ones.
- You'll get only one tax slip each year to report all interest earned in the plan. That will simplify your tax return preparation, and could reduce the fees you pay to have your income tax return completed!

Perhaps the biggest plus is that you can have all the benefits of a Worldsource self-directed account with no fee! Non-registered accounts have no administration fee. For RRSP/RRIF accounts under \$200,000 there is a small annual fee, but much lower than most other institutions. We can explain the benefits further when we next review your portfolio.

Securities Products

Our advisors have access to virtually every investment product in the marketplace through our partner companies. Page Deposit Brokers Corp can obtain the best GIC rates from over 30 financial institutions. Worldsource Financial Management provides access to thousands of mutual funds and top institutional asset management services, but does not handle products traded on stock exchanges, such as index units, fixed-coupon and floating-rate bonds, exchange-traded funds, and individual stocks. In some cases, the ideal investment strategy for you may require access to such exchange-traded products. Over the past year, we've been working closely with Tony Porcheron of Worldsource Securities Inc. Tony has helped many of our clients implement strategies using government bonds, floating-rate bonds, and flow-through shares.



Another CFP!

Denis Pokhilko has been with Page and Associates for just over two years, after a ten-year career in financial planning in Russia. After only 3 years in Canada, Denis has completed the distinguished Certified Financial Planner (CFP) designation! We now have three CFPs in our firm, so that every financial plan we produce is prepared and reviewed by a CFP to ensure that our recommendations are based on all of the current tax and legal considerations, and consider all of the available strategies.



Feedback

We hope you've enjoyed this newsletter. If you did, please let us know. If you have some ideas for improving the newsletter, or topics you'd like to see in future issues, please let us know that too!

Did you know? – you can receive this newsletter by email? We'd gladly give our environment a break by sending you the next newsletter by electronically. Please email contact@askpage.com with your full name, and we'll switch you to the email version next time. *Thanks!*