

Mike Robinson

From: Mike Robinson [mike@signaturefs.ccsend.com] on behalf of Mike Robinson [mike@signaturefs.ca]
Sent: February 29, 2008 2:26 PM
To: mike@signaturefs.ca
Subject: Tax Free Savings Accounts Announced in Federal Budget



February 29, 2008

Dear Michael,

As you may have heard in the news the federal budget was announced earlier this week. One of the main initiatives of the budget was the introduction of a new savings vehicle designed to supplement savings within RRSPs. As this is a new savings vehicle in Canada I thought that I would share with you some of the details on it. However, just before that I have a couple other points and reminders for you!

First off, I would just like to clarify a couple of quick items:

- a) I am NOT running as the Liberal candidate in the Calgary-Rockyview riding. That is another Mike Robinson.
- b) My firm, Signature Financial Security, is NOT the company advertising seminars on the radio on how to invest in the Saskatchewan real estate market. That company is called Signature Capital and there is NO connection or association.

NOTE!

We still have space available for the meeting we are hosting this coming Wednesday, March 5th. The discussion will focus on what's involved in a comprehensive financial plan for affluent and self-employed individuals, who typically have more complexity in their affairs. The details are just below here and if you are interested in sitting in please just give me a call or e-mail and let me know!

Implementing a Comprehensive Financial Plan

It's the time of year where nearly every media outlet is advertising the latest, greatest RRSP investment choice. This is something you will NOT hear from me. What you will hear from me (if you haven't already) is that what's most important is creating a proper and comprehensive financial plan.

Join me on March 5th where I'll be hosting a discussion with a small group of people on how to create a proper and comprehensive plan for self-employed and affluent individuals. Note: this is NOT an RRSP Seminar! This is a small intimate group

where I will lead a discussion on the topic and then open it up to the group for some discussion. The details are as follows:

"Creating a Proper and Comprehensive Financial Plan"
 Wednesday, March 5 at 5:00 pm
 The Glenmore Inn - McLeod Room
 RSVP at (403) 226-0321

There will be some appetizers and refreshments while we discuss how a comprehensive financial plan should look for affluent and self-employed people, who typically have more complexities in their affairs. I'll also touch on a couple other interesting items including accessing financial vehicles reserved only for the affluent.

Tax Free Savings Accounts (TFSA)

Before the details on the new TFSA let me remind you that this is not yet in effect. The budget needs to be voted on and approved in the house of commons and it then needs to receive royal assent before any of the contents can become legislation. Much is still unknown about how the TFSAs will be administered and all investment providers need time to develop the appropriate systems in order to be administered.

I provided below the nitty gritty details of the TFSA as much as is known today. From what I can see this is a positive measure that many of you will want to take advantage of. It appears to be primarily targeted to middle-income, middle net worth investors. Given that the maximum contribution per year is just \$5,000 it's not a huge advantage to the affluent, high income earners, although there is still some benefit -any time you can save or defer tax it's a good thing! It all depends on your personal situation, but as a generalization I would suggest that once you have contributed to your RRSP you will then want to contribute to a TFSA and then contribute to your non-registered savings account.

The Details:

The tax-free savings account (TFSA), is a new type of registered savings account. Starting in 2009 Canadian residents 18 years or older can contribute up to \$5,000 annually to their TFSA. Contributions to a TFSA will not be deductible. However, income, losses and gains in respect of investments held within a TFSA, as well as amounts withdrawn, will not be taxable and will not be taken into account in determining eligibility for federal income-tested benefits or tax credits such as the Canada Child Tax Benefit, the Goods and Services Tax Credit, the Age credit, Old Age Security benefits, the Guaranteed Income Supplement or Employment Insurance benefits.

The \$5,000 annual contribution limit will be indexed to inflation annually, and rounded to the nearest \$500, starting in year 2010. Unused contribution room will carry forward indefinitely. Any amounts withdrawn from an individual's TFSA in a year will be added to the individual's TFSA contribution room for the following year. This will allow individuals to re-contribute an equivalent of their withdrawn amount in future years. However, any excess contributions will be subject to a tax of one per cent per month.

A TFSA will generally be permitted to hold the same investments as Registered Retirement Savings Plan (RRSP), except for investments in non-arm's length entities. Financial institutions currently eligible to issue RRSPs, such as life insurance companies, Canadian trust companies, banks and credit unions will be permitted to issue TFSAs.

Individuals will be able to contribute to a spousal or common-law partner's TFSA (subject to the contributing spouse's contribution room) and the income earned on these contributions within the TFSA will not be subject to the attribution rules. Investment income earned within a TFSA after an individual's death will be taxable. However, TFSA assets can be transferred to the TFSA of a spouse or common-law partner regardless of whether the survivor has available contribution room and without reducing their contribution room.

"Investing Outside In" ...

Think like an insider -this is the message from author Bruce White in an article featured in this month's edition of [Alberta Venture magazine](#). I was interviewed for this article, which explores options available for affluent investors that you typically won't hear about in other media sources or from most financial advisors. I have some bias here because one of my clients and I are both quoted throughout the article but beyond that, I think it's a well written piece that anyone with a nice nest egg should take a look at before making any investment decisions. The author really has done a great job with this one. I have attached a link here to the home page for [Alberta Venture magazine](#) and it's the feature article posted beside it titled "Investing Inside Out." Take a look on-line, but I also encourage you to pick up a copy of the magazine (for those of you who don't subscribe) as the entire edition is on personal finance. It should be on newsstands any day.

Think like an insider ... "Investing Outside In"
visit [Alberta Venture Magazine](#)

If you have any questions or would like any additional information, please don't hesitate to call me or e-mail me directly. My direct line is 226-0321 or mike@signaturefs.ca or you can check us out on line at the following link: [Signature Financial Security](#).

Sincerely,

Mike Robinson

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