Connect YourStyle

What's important to you

September 2008

Win a Weekend to Remember

Family pressures fuelled by desire to do "best" for kids.

Win a Free Weekend Rental of a Four Alarm Hot Tub

for your family, friends or co-workers! Four Alarm Hot Tubs have installed a 6-8 Person Hot Tub in the rear of a red 1965 GMC Fire Truck. Delivered right to your door with sirens blaring and lights flashing!

Enter at www.yourstylefinancial.ca/contest *for your chance to win. Better hurry as the draw date is Sept 30th, 2008!*

For most Canadian's with children, it's "go, go, go" on the home front, with 89% of respondents agreeing that parents with full-time jobs have to deal with an overloaded family calendar. More than three-quarters (78%) of Canadians surveyed agree that parents have to do all that is possible so their children are "the best" among children. Yet, in a seeming contradiction, 71% also agree that today's parents do "too much" for their children.

With 87% of respondents agreeing that today's parents are under a lot of social pressure when it comes to raising their children, it's no wonder that parents constantly worry about the quality of the education they're giving their children.

"It's the parents who sometimes need permission to find that 'good enough' parenting point, and achieve that sweet spot of not doing too much. It's a constant negotiation with yourself to recognize that if you do more, it doesn't necessarily achieve a better result," says Dr. Ungar.

(source: 5th edition of the Desjardins Financial Security Survey)

Tax Free Savings Account

(TFSA) - Answers to the most common questions

Undoubtedly, the biggest treat for investors in the 2008 federal budget was the introduction of a new savings vehicle that will allow Canadians to save money, not just for retirement but for any purpose, on a completely tax-exempt basis. Starting in 2009, you will be able to contribute to a TFSA, essentially a "tax pre-paid savings plan". "Pre-paid" refers to the fact that the tax on the contributions is paid in advance. According to the government, the TFSA is a "flexible, registered general-purpose account that will allow you to earn tax-free investment income.

Who is eligible?

Anyone who is at least 18 years old will be allowed to open a TFSA. The only requirement is that the individual have a social insurance number when the account is opened. There will be no limit on how many TFSA's you can set up.

How much can I contribute?

The amount you can contribute to a TFSA will be based on your "TFSA contribution room". Starting in 2009, everyone who is at least 18 years old will begin to accumulate $5,000 (to be indexed annually, rounded to the nearest $500) of TFSA contribution room. This TFSA contribution room will be cumulative and will be carried forward indefinitely to future years. Perhaps the most interesting twist in these rules is that, unlike the RRSP system, any amounts withdrawn from your TFSA in a particular year will be automatically added to your TFSA contribution room for the following year, allowing individuals who withdraw TFSA funds to re-contribute an equivalent amount in a future year. As with RRSP's, any excess contributions beyond the TFSA contribution limit will be taxed at one per cent per month. Contributions "in kind" will be considered deemed dispositions, with a capital gain being reportable and any capital loss denied, just like with in-kind RRSP contributions.

How will TFSA's be taxed?

Unlike RRSP's, but similar to RESP's and the recently introduced registered disability savings plan, contributions to a TFSA are meant to come from after-tax funds (hence "tax pre-paid") and therefore will not be tax deductible from income. The big advantage is that any income and gains on investments held within a TFSA won't be taxed either while inside the TFSA or upon ultimate withdrawal. This helps address the problem of double taxation of savings.

Effect on income-tested government benefits -

One of the biggest criticisms of the current RRSP system is that when the funds are withdrawn upon retirement, not only are they taxed at the retiree's personal marginal tax rate but, in many cases, they affect the retiree's eligibility for income tested government benefits and credits, such as the Age Credit, the Guaranteed Income Supplement (GIS) or even Old Age Security (OAS) benefits. The government announced that withdrawals from the

TFSA, since they are not considered "income," will have no impact on government benefits or credits, such as GIS or OAS, or on the Canada Child Tax Benefit or the Goods and Services Tax Credit.

What can I invest in?

A TFSA will be allowed to invest in basically the same broad list of qualified investments currently permitted for RRSPs, including stocks, bonds, mutual funds, etc.

What if I borrow to invest in my TFSA?

Since the income earned inside a TFSA, along with the TFSA withdrawals, are non-taxable, you won't be able to write off any interest expense on funds borrowed for the purpose of investing in a TFSA.

Can I give my spouse funds to contribute to a TFSA?

Normally, the attribution rules contained in the Income Tax Act block attempts at splitting either income or capital gains between spouses or partners by attributing such income or gains back to the original spouse or partner. The federal budget introduces an exception to the attribution rules, stating that the rules will not apply to any income or gains earned in a TFSA derived from a spouse or partner's contributions.

What happens upon death?

The fair market value of the TFSA on the date of death will be received by the estate on a tax-free basis, but any income or gains accruing after the date of death will be taxable. Individuals will be able to name a surviving spouse or partner as a "successor account holder," in which case the TFSA will continue to be tax exempt. Alternatively, the assets of a deceased individual's TFSA can be transferred to a surviving spouse or partner's TFSA without affecting the surviving spouse or partner's own existing TFSA contribution room.

What happens upon separation or divorce?

On the breakdown of a marriage or a common-law partnership, any amount from the TFSA of one spouse or partner can be transferred to the TFSA of the other while maintaining the tax-exempt status. Note that this transfer will not reinstate the contribution room of the transferor spouse or partner, nor will it be counted against the contribution room of the transferee spouse or partner.

Becoming non-resident - If you become non-resident, you can still hold your TFSA and continue to benefit from the tax exemption on investment income and withdrawals, however, no contributions will be permitted nor will TFSA contribution room continue to accrue.

(source: Advocis Forum)

What's important to you?

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Here are 10 essentials to suit every wellness seeker.

Taking even small steps in each one will improve your life and wellness in wonderful ways.

1. Breathe Deeply - Deep breathing expels body toxins faster than any other means.

2. Drink Water - Getting enough water provides an instant energy boost - and you may even eat less.

3. Sleep Peacefully - Establishing a bedtime routine will help you sleep longer and more soundly.

4. Eat Nutritiously - Choosing healthy, whole foods minimizes blood sugar swings.

5. Enjoy Activity - An active lifestyle enables every system in your body to work better.

6. Give and Receive Love - Heart-focused, sincere and positive feelings boost the immune system.

7. Be Forgiving - As you let go of negative feelings toward others, you will find greater peace and optimism.

8. Practice Gratitude - Gratitude brings instant joy, builds physical defences and reduces stress.

9. Develop Acceptance - Practicing acceptance clears your mind of needless anxiety, freeing you to enjoy life.

10. Develop a Relationship with God - Humans are inherently spiritual beings. When you take time to develop this trait, you experience a clear improvement in your emotional and physical health. People who practice devotion daily have lower blood pressure, fewer strokes and less emotional turmoil. People with strong spiritual ties lose weight more easily, recover from crises better and have stronger, healthier social lives.

(source: Vita Journal)

CFP Designation

(CFP) Certified Financial Planner

"I am pleased to announce that I have successfully completed the next stage of education in my career, my CFP designation". Check out my blog post, "Sharpen the saw" for more of my thoughts on this (and other topics) @ **www.yourstylefinancial.com/dougs_blog**

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