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Are you aware that...

... the interest rate on a credit card may be significantly reduced by paying an annual fee? If you carry a balance on your credit card, it would not take long to recoup the annual fee. For instance, an interest savings of 8% (19.9% minus 11.9%) would cover the \$20 annual fee if you carry an average balance of \$250 on your card. It may only take a phone call to your credit card holder to change your account. Although it is advisable to avoid high interest rates by paying credit cards in full, it may not always be possible. Personal lines of credit usually offer lower interest rates and may be used for larger purchases.

... financial institutions group creditor insurance (e.g., on a mortgage or car loan) is often underwritten (approval process) at time of claim? You may enjoy a false sense of security, but won't know for sure whether you are covered until you have a claim. Individual insurance policies are underwritten at time of application. Attached is a link to a Market Place program on this topic aired on February 6th, 2008.

http://www.cbc.ca/marketplace/in_denial/

... by adding someone's name (other than your spouse) to an asset, you could be exposing your asset to that person's divorce settlement, creditors, or spending habits?

It's in Your Hands

Lis van Berkel, Project Officer, Seniors' Legal Planning Information Kit, advises that they have received the second printing of the book for seniors entitled *It's in Your Hands*. The book itself is free, but unfortunately they have to assign a postage charge to any orders being mailed out.

There are three ways to obtain a copy:

- View and download it by section on their website at www.legalinfo.org
- Pick it up in person at their office located at 5523B Young St., Halifax, during office hours from 8:30 am to 4:30 pm Monday through Friday
- Have it mailed to you. The book itself is free, but since it is heavy and has to be sent by parcel post, there is a mailing charge of \$11.00 per book, payable in advance. Phone 902-455-3135 to place your order. Multiple copies (3 - 10) can be sent by courier for a prepaid cost of \$20.00 within Nova Scotia.

This is an excellent source of legal information for seniors and their families.



Deposits to TFSA— excess contributions can be very expensive

The Tax Free Savings Account (TFSA) established in January 2009 is designed to save income tax because the growth in the account is not considered taxable income. However, this is not the case if you over-contribute to the account. In fact, it can be very costly. The penalty is 1% per month for excess contributions.

Many Canadian received a wake-up call this spring with unexpected tax bills. It can happen very easily. For instance, suppose you deposited \$5,000 to your TFSA in January 2009, then withdrew \$4,000 in February 2009 to contribute to your RRSP, and then deposited \$4,000 in June 2009 (to replace the withdrawal) when you received your income tax refund. Oops! All of a sudden your TFSA has an excess contribution of \$4,000, and you can expect to pay a penalty of \$280 (1% of \$4,000 for 7 months). Consider deposits as contribution in any calendar year (withdrawals are reflected in increased contribution limit the following calendar year).

There was a public outcry, so Canada Revenue Agency (CRA) has revisited the situation and recognized that there has been some confusion about the rules. If you were one of the unfortunate Canadians to receive a tax bill due to a TFSA excess contribution, I suggest you contact CRA immediately. CRA's web site (www.cra.gc.ca) provides the procedures to follow, together with any required forms, and the following message:

"In early June 2010, the Canada Revenue Agency (CRA) sent out letters to about 70,000 Canadians who may have over contributed to their Tax-Free Savings Account (TFSA). Administrative relief provisions may be available in certain instances.

If you have received a return from the CRA regarding your TFSA, it does not automatically mean that you will be subject to a tax. It may just mean that more information is needed.

If you require assistance or have questions about your TFSA you are encouraged to contact the CRA at 1-800-959-8281. "

I personally think the name is misleading because "savings account" suggests frequent deposits and withdrawals, and that you can only deposit cash. But you can actually deposit any investment product that is eligible for a Registered Retirement Savings Plan (RRSP), including equities (stocks), bonds, segregated funds, or Guaranteed Investment Certificates (GICs). Prior to opening a TFSA I suggest you inquire as to fees associated with this type of account (including any fees to transfer this registered account to another financial institution).

The enclosed brochure provides more details on the Tax Free Savings Account (TFSA) and compares it to a Registered Retirement Savings Plan (RRSP).

Disclaimer: Investors should read the Information Folder before investing. Segregated funds are not guaranteed; their values change frequently and past performance may not be repeated. They have guaranteed minimum values at maturity or death. This article is for general information only and is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting, or tax advice. Please consult an appropriate professional regarding your particular circumstances.