Clipboard

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Merry Christmas and Happy New Year

I would like to thank my clients for their business during the year, and I look forward to our continued business relationships in 2009. I wish them, and all readers of my newsletter, a very Merry Christmas and a Happy New Year. May the true spirit of the season warm both your homes and your hearts, and may we get closer to world peace in the coming year. I hope your holidays are safe and create happy memories.

> There is no telling how far
> One act of kindness will travel.
>
> -Glenn Ridless

Tax Free Savings Accounts (TFSA)

Beginning in January 2009, the new Tax Free Savings Account (TFSA) will be available. It is a general-purpose tax-efficient saving vehicle that complements Registered Retirement Savings Plans (RRSP) and Registered Education Savings Plans (RESP). Qualifying persons who file income tax returns will be advised annually by the Canada Revenue Agency (CRA) as to their future contribution limit. Accounts are available to Canadian residents 18 years or older (in some provinces the age of maturity is 19).

In the next *Clipboard* (February 2009) I'll discuss some of the highlights of this new account:

→ Contribution room
→ Investment products
→ Investment growth
→ Tax advantage

In the meantime, please contact me if you would like some information or have any question about this new account, which is available through my office.

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Investing with a safety net – Part 2 of 2

Would you like to reduce or eliminate probate fees? Have investments with potentially higher returns than GICs (Guaranteed Investment Certificates), but with some guarantees? Well, savings products offered by life insurance companies might be for you.

In Part 1 (*Clipboard* October 2008 issue) I outlined some unique features of life insurance savings products that are excellent estate-planning tools. Today I will talk about some of the investment products available, and their distinctive benefits.

There are a number of savings products:

1. **Daily Interest Savings—**interest is usually compounded monthly with funds available any time.
2. **Term fund**—similar to a GIC, where you invest a specific amount for a predetermined period of time (from a 30-day term to a 10-year term, and redeemable or non-redeemable) at a fixed interest rate. Interest could be paid to you on a regular basis, or it could compound (interest stays in the contract and you earn interest on interest). You know at the time of investing when your investment will mature and the maturity value.
3. **Segregated Funds—**often referred to as "seg funds," so named because the investments are "segregated" (not included in the insurance company's general assets). They are professionally managed pooled investments, similar to mutual funds. The pool is divided into units, and you purchase units. The value of the units fluctuates as the value of the underlying securities fluctuates.

Seg funds have some distinctive benefits:

1. You have an array of investment portfolios to choose from.
2. Your income tax reporting is simplified.
3. Your risk tolerance may increase because of guaranteed minimum values at maturity or death.

Seg funds have guaranteed minimum values at maturity or at death of at least 75% of your investment (less withdrawals, of course). You can establish a maturity date—which must be at least ten years in the future. Some insurance companies have guarantees of up to 100%, and some even allow you to lock in the growth of your fund by "resetting" the guaranteed minimum value. The cost of these guarantees is often reflected in higher MERs (Management Expense Ratios), ranging from .20% to 1.00% above mutual fund MERs. However, at the end of the day, it is the growth of your investment in relation to your risk comfort level that matters.

I recommend that you work with a financial advisor before investing.

Disclaimer: Investors should read the fund's Prospectus and/or Information Folder before investing. Mutual and segregated funds are not guaranteed; their value changes frequently and past performance may not be repeated. Segregated funds 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.

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