

MAIN FOCUS THIS QUARTER:

The Importance of Budgets

The Canadian federal government spends billions of dollars every year, and as a result, just like all Canadian households, needs a plan for the future. To do this a budget process is employed, the importance of which should not be underestimated, as it provides insight not only into a country's economy, but also helps taxpayers structure their spending and savings strategies.

Federal budgets provide relief to parents in the form of tax credits; in the 2006 and 2011 budgets Children's Fitness and Arts Tax Credits were introduced. These tax credits allow parents to claim a 15 percent non-refundable tax credit on up to \$500 of qualifying expenses.

They also introduce new ways to save which we saw in both 2007 as well as in 2008 with the introduction of the Registered Disability Savings Plan (RDSP) and the Tax Free Savings Account (TFSA).

While the RDSP, allows families and individuals who qualify for the disability tax credit to benefit from both tax deferred savings as well as generous government grants, the TFSA now allows Canadians over the age of 18 to save \$5,500/year without incurring any tax liability, either during the life of or upon withdrawal from the plan.

A budget can also provide tax relief and incentives to hire for small businesses. The 2006 budget decreased the tax rate applying to small business income to 11% and increased the amount of income eligible for this rate from \$300,000 to \$400,000, and again in 2009 to \$500,000.

The 2011 budget also created a hiring credit for small business (HCSB), a credit intended to stimulate new employment and support small businesses. **The 2013 federal budget proposes to extend the HCSB for 2013.**

The HCSB gives small businesses relief from the employer's share of employment insurance (EI) premiums paid in a year. It does this by crediting up to \$1,000 on the payroll account, based on the increase in an employer's EI premiums paid in one year over those paid in the year before.

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Don't Forget:

Important Deadlines for 2013

April 30, 2013: CRA 2012 personal income tax filing deadline.

April 30, 2013: Payment to CRA of your balance owing for 2012 personal income tax is due April 30, 2013 for all personal income tax filers including self-employed.

June 15, 2013: CRA tax deadline for self-employed persons to file their personal income tax return. Any balance owing must be paid by April 30, 2013.

June 15, 2013: Quarterly instalment due if you pay taxes to CRA by instalments.

Don't forget ALL your T-Slips
More taxpayers are paying penalties to CRA for missing T-slips on their returns identified under CRA's matching program.



Monthly eNewsletter!

If you, or someone you know, are not yet on our monthly eNewsletter mailing list, and would like to be, please be sure to contact contact Marina at marina@perlerfinancial.com or call 604-468-0888.

We will be sure to add you to the mailing list to keep you up to date on various Financial Planning and community information.

Thank you!

A heartfelt thank you for your continued patronage and all your referrals. Your confidence in us is truly appreciated!

2013 Federal Budget

On March 21, 2013 Jim Flaherty delivered his ninth federal budget (technically he delivered 2 in 2011) as Canada's Federal Finance Minister. While this most recent budget focuses most of its attention on balancing federal spending with revenues by 2015, there are a few tidbits that are of interest to tax payers.

Small business owners, farmers and fishermen should be pleased with the lifetime capital gains exemption increase to \$800,000 from \$750,000 on the sale of qualified property beginning in 2014. The budget also proposes to index this amount to inflation, a component not previously contemplated in the exemption amount. While pleased with this increase to the lifetime capital gains exemption, small business of privately owned corporations will not be pleased with the proposed tax increase to non-eligible dividend payments. As a result, the federal dividend tax credit rate for non-eligible dividends will be 11% (down from 13.33%) and the federal effective tax rate on non-eligible dividends will be 21.22% (up from 19.58).

Every parent who wakes up early to drive their child to various activities will like the plan to eliminate tariffs on baby clothes, ice skates, hockey and other equipment to promote physical fitness and healthy living. However, it is up to wholesalers and retailers to pass these savings along to consumers. The budget also proposes a tax credit for first time donors to charity (defined as individuals who have not donated to charity since 2007).

For these budding philanthropists, the new credit will supplement the existing charitable donation tax credit with an additional 25% tax credit on up to \$1,000 in cash donations, entitling donors to a 40% federal tax credit for donations of \$200 or less, and a 54% federal credit for the portion of donations over \$200. While not an exhaustive list, the budget also calls for the elimination of the tax deduction associated with the cost of maintaining a safety deposit box as well as the government's promise to evaluate its current method of levying tax on testamentary trusts.

While the budget also focuses on tax advantaged investment schemes it should be viewed by all as a call to action to ensure that our own fiscal houses are in order.

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Make the most out of your tax refund

Source: Dynamic Funds

Before you spend any tax refund you receive, be sure to consider these five great ways to get the most out of your tax refund.

1. Pay off debt. If you are carrying large credit card bills at double-digit interest rates, wipe the slate clean. If you have no credit card debt, pay down your mortgage. A \$1,000 prepayment on a \$100,000 mortgage amortized over 25 years at 7% will save you over \$4,000 in interest.
2. Make a lump sum contribution to your Registered Retirement Savings Plan.

The sooner you make your contribution, the sooner it starts compounding. A \$1,000 RRSP contribution earning an annual average return of 10% over 25 years grows to nearly \$11,000. And your RRSP contribution could result in a tax refund next year.

3. Pay back your RRSP Loan. If you took out a loan to make an RRSP contribution, use your refund to pay that loan back. You'll save on interest charges and free up money that would otherwise go to your monthly loan payment.
4. Contribute to a Registered Education Savings Plan. The federal government provides a 20% grant on up to \$2,500 contributed each year (\$500). That's free money.
5. Contribute to a Tax Free Savings Account. You can invest \$5500 per year into a TFSA. You don't get a tax deduction but any income earned in the account grows tax free.

The very best thing you can do with a tax refund, is plan to avoid getting one. After all, the refund is actually a repayment of an interest-free loan you made to the government by overpaying your taxes. If you make a big RRSP contribution each year ask your employer to deduct less tax off your pay cheques. You won't get a big refund each spring, but your monthly cash flow will increase and you'll be able to put your money to work in your interest instead of the government's. Talk to your Human Resources Department about how to get less tax taken off at source.

If you come into extra cash at any time of the year, be sure to talk to your financial advisor about your best course of action. An advisor should be able to help you decide which one of the above strategies works best for you. Or, he may even tell you to live a little and spend some of it!

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What is an annuity?

Source: Manulife Investments

Canadians today are enjoying a healthier and more active retirement. We are living longer and in some cases, may spend as much time in retirement as working.

How you turn your savings into retirement income is a significant financial decision. For those who prefer a one-step solution that can guarantee a secure income for life, or a specific period of time, annuities are a popular choice.

Annuities provide a number of advantages. In exchange for a single lump sum investment, an insurer makes guaranteed regular income payments to an investor that contain both interest and a return of principal. Annuity payments can continue for the lifetime(s) of one or two people, or for a chosen period of time.

Annuities can be ideal for investors who:

- Want the highest guaranteed income amount possible from their investment
- Wish to help cover essential expenses in retirement
- Are concerned about outliving their savings
- Wish to minimize tax on their investment income
- Value security and peace of mind while reducing the need for ongoing investment decisions

Upcoming Seminar Investing Through Volatility

This year's Spring Seminar we are very excited to present Peter Drake, Vice President Retirement & Economic Research for Fidelity Investments.

Peter Drake will cover the following topics:

- What is happening with the European economy and the future of the European Union (EU)
- Overcoming the Fiscal debates. What is in store for the US economy both economically and politically
- Can the growth of China continue? What effect does a potentially slowing China have on the Canadian economy
- After 13 years of record growth, what is in store for the Canadian market place.
- What is the outlook for fixed-income investing
- Where clients should be putting their money for the years ahead.

WEDNESDAY, MAY 23RD , 2013

Port Moody Library at the Inlet Theatre, 100 Newport Drive, Port Moody

6:30 pm – Hors d'oeuvres

7:00 pm – Seminar

RSVP by May 9th 2013 to:

Marina at 604-468-0888 or email: marina@perlerfinancial.com

We invite you to bring along a guest(s) to share in this unique opportunity.

- Want to subsidize early retirement income
- Need income until pension and government benefits become available
- Wish to fund a child's ongoing educational costs

Annuity options

Life Annuities: If you are interested in securing guaranteed income for your retirement, you will want to consider a Life Annuity. With a single up-front investment, a Life Annuity can provide income to you and your spouse (if selected) for the rest of your life, regardless of market conditions or interest rate fluctuations.

Income for a specific time period

Term Certain Annuities provide a guaranteed, regular income for a pre-selected period of time. Once this period is over, income payments cease and the annuity contract ends. If you happen to die before your payments are scheduled to end, the company will continue to make payments to your beneficiaries until the specified period has expired.

Prescribed Annuities offer preferential tax treatment if you are investing using non-registered funds. Each payment includes the same amount of interest and capital. This evens out the amount subject to tax and provides some tax deferral.

What if I die earlier than expected?

With a Life Annuity, you can choose a payment guarantee to ensure a minimum amount of income is paid from the investment to you or your beneficiaries in the event you die earlier than expected. Payment guarantee options may include: Principal Protection: also known as a cash refund guarantee, this provides a lump sum payment to a beneficiary equal to the difference between the total payments received by the investor* before death and the original investment amount.

Guarantee Period: allows an investor to select from zero to thirty years of guaranteed payments. In the event the investor dies earlier than expected*, the beneficiary continues to receive income payments during the guarantee period**. For Term Certain Annuities, payments continue until the end of the specified term. If you die before the term ends, the annuity payments continue to your estate or designated beneficiary until the end of the term.

*Or the death of the last surviving annuitant in the case of Joint and Survivor Life Annuity policies.

**Alternatively, if there is a lump sum death benefit required or chosen, the amount payable will be less than the total remaining income payments.

To learn more about annuities and to find out if this may be a suitable option for you, please be sure to phone Fraser at 604-468-0888.

*"If you want to live a happy life,
tie it to a goal,
not to people or things."*

Albert Einstein

*"Setting goals is the first step in
turning the invisible into visible."*

Anthony Robbins



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