



MAIN FOCUS THIS QUARTER:

Five Ways To Benefit From New TFSA Limits

Source: Sun Life Financial

The new federal budget tabled in the House of Commons increases the annual TFSA contribution limit from \$5,500 to \$10,000. That's good news for Canadians. Whether you're looking for a tax-sheltered way to save for a down payment on your first home or you're getting close to retirement and looking for a way to supplement your retirement savings, the higher limit makes the account a more valuable option than ever before.

"Overall, I think the higher TFSA limit will encourage more saving," says Cindy Crean, Managing Director of Private Client Services at Sun Life Global Investments. "It will also give people more choice in terms of which option is better for them, a TFSA or RRSP. For example, if Canadians think they will be in a higher tax bracket at retirement, a TFSA may be a better choice; with the higher limit there is also more room to save in a TFSA. In addition, retirees who don't need all of their income can direct additional savings into a TFSA to shelter it from tax."

Here are five additional ways you could benefit from the new TFSA limits:

1. Starting to save

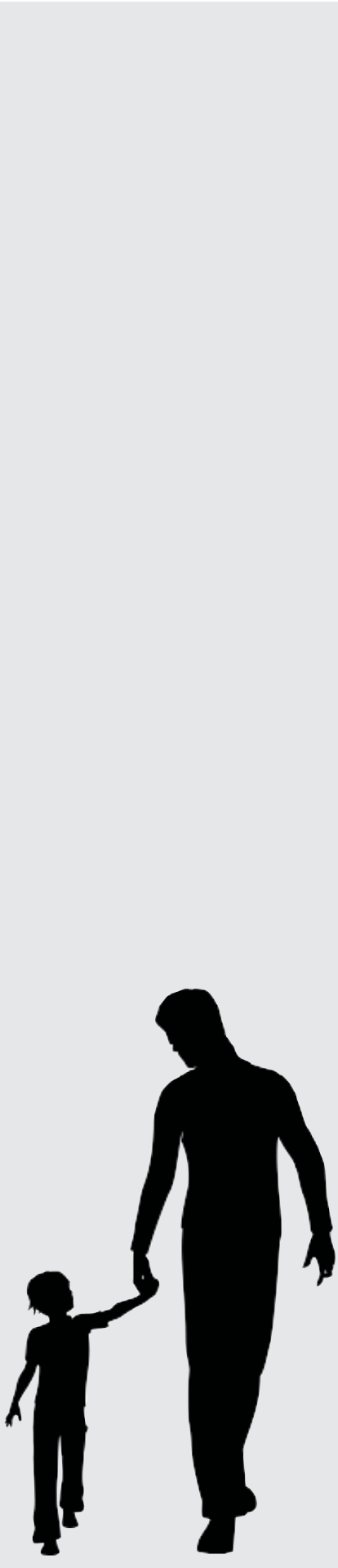
If you're just starting out in your career and still in a low income bracket, opting to save in a TFSA rather than an RRSP can make sense. While you won't get a tax deduction for contributing to a TFSA, there is no tax payable on investment growth and you also won't get hit paying tax when you draw the money out. And should you end up in a higher tax bracket in retirement, the tax deduction you get from contributing to an RRSP today could end up being less than the tax you will have to pay when you withdraw it. The higher TFSA limit means you can now put more into this one account, instead of having to look to an RRSP if you have more than \$5,500 a year to save.

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2. Saving for a home

A TFSA is a more flexible option for saving for a home than an RRSP. While the Canada Revenue Agency (CRA) does allow first-time home buyers to use the Home Buyers' Plan (HBP) to withdraw up to \$25,000 from their RRSPs, you have to repay it over a maximum of 15 years. And there are penalties: If you miss a payment, that amount is added to your taxable income for that year. TFSA withdrawals have no such requirements, and the increased contribution limit means they may provide you with enough savings room to cover the cost of a down payment.

3. Saving for retirement

TFSAs were designed to supplement RRSPs. If you've maxed out your RRSP, they provide you with another great way to shelter a portion of your investment earnings from income tax. And given that life expectancy has increased in recent years, the need to save for retirement has become more important than ever. Contributing additional funds to a TFSA can help ensure you won't outlive your savings.

4. Funding retirement

If you're nearing retirement and have substantial RRSP savings, you may wish to start contributing to a TFSA instead, to avoid a potential future impact on your Old Age Security (OAS) payments. This is because the CRA charges a special tax (or "clawback") on your OAS payments if your net income exceeds a certain threshold (for 2014, the threshold is \$71,592). As withdrawals from a TFSA are tax-free, they don't add to your taxable income and have the potential for triggering this clawback in the same way as taxable RRSP withdrawals.

5. Working in retirement

According to the Sun Life Financial Unretirement Index, more Canadians expect to be working full-time than fully retired at age 66. If you're one of them, there can be advantages to contributing to a TFSA over an RRSP, as TFSA withdrawals can be used to supplement your post-retirement earnings without pushing you into a higher tax bracket, the way RRSP withdrawals can.

Still, despite the benefits of the new higher TFSA limits, it's important to remember that contributions to an RRSP provide the advantage of reducing your annual income tax. Assuming you'll be in a lower tax bracket when you draw the money out than you were when you put the money in, an RRSP can help you save on the overall amount of tax you pay.

Talk to Fraser McDowell to help you determine the best options for your needs and personal situation.

Guide Adult Children Towards Financial Success

Source: Manulife Solutions

One of the most important goals many parents set for themselves is to raise their children to be financially independent. And, by the time children reach their mid-to-late 20s, they're often earning an income and making their own financial decisions. However, they may still benefit from some gentle guidance about budgeting and debt.

The challenge for many people in their mid-20s is that they're experiencing so many "firsts": a first full-time job, a first apartment, a first car. The pace doesn't slow down in the late 20s, when they may be saving for a wedding, a house and all the expenses associated with starting a family of their own.

In the midst of this period of rapid change, there are regular expenses to pay,

from groceries to utilities. There may be a student loan, a car loan and mortgage payments to make. In the months when income doesn't match expenses, credit card balances and other consumer debt may start to creep upwards.

The sooner young adults start balancing income and expenses and keeping debt to a minimum, the better positioned they will be for future financial success. Here are tips on how to have a productive conversation with your children:

Take the initiative: Some young adults are reluctant to bring up the subject of finances with their parents, but grateful when given an opportunity to discuss their concerns. Open the door with something like "We haven't talked about money in a while, and I want you to know that you can still come to me for advice whenever you need it."

Listen carefully: Your children may give you clues that finances are becoming a struggle without coming right out and saying it. They may complain about a landlord being too tough on them. They may express anxiety about whether they will get a raise or a bonus at work. Probe to find out if financial stress is behind these comments.

Be open: Tell your children about some of your own money challenges, today and when you were their age. This can help reassure them that you won't be judgmental, as well as giving you a chance to share some of your money management tips.

Offer objectivity: Acknowledge that you don't have all the answers and, if appropriate, recommend that your children make an appointment to speak with Fraser McDowel. Fraser can provide expert advice – and young adults may be more comfortable talking about their financial situation with a professional.

By raising the topic, you can help young adults address small challenges before they become large or even insurmountable. It's one more way you can help set your children up for long-term financial success.

The Benefits of Planned Giving

Source: CPCA Canada

There are as many reasons to give as there are givers. But whether your reasons are altruistic or simply tax-related, the benefits of planned giving are powerful.

Satisfaction - Knowing that you are giving back to a cause, program or organization that holds special significance for you.

Control - Reducing the risk that your wishes will be hindered by circumstances beyond your control.

Peace of mind - Ensuring that family and financial matters are resolved privately.

Convenience - Putting your investment in the hands of professional managers, so you don't have to worry about ongoing decisions.

Security - Finalizing your charitable choices now instead of later - or never. Too many people postpone or never realize their charitable goals.

Financial - Lowering your current taxes and/or lowering the taxes your estate will be required to pay.

Planned Giving allows you the time to make solid, well thought-out decisions and it allows you to give now, not just after your death. Planning can protect you from being a victim of fraud. You can take time to think about which organizations you would like to help, how much you can afford to give, and when you will give during the year. You have time to research the charities you would like to support, or have someone, like your financial planner or lawyer, research them on your behalf. Rather



Monthly eNewsletter

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than giving donations on the spot, on the street or at your door, when you are uncertain or feel under pressure, take time to plan your giving. There are many ways that you can plan current gifts that cost you little more than the taxes you'll save. You can make a difference today and know you're eventually leaving the world a little better than you found it.

If you are in your 70s or older, you represent part of a huge transfer of wealth to the Boomer generation; those in their 50s and 60s. If you are a Boomer, you probably have assets yourself and although you may still feel young and invincible, you're not. Time catches up on all of us. Providing for your family is number one, but creating a bequest to a charity will help many people and provide a fitting memorial for you.

If your world is complex and you have all kinds of property and investments, you should definitely work with a financial planner. These professionals will help you plan your financial future and help you develop a plan to provide for charitable gifts - while you are alive - that can benefit the charity and you. That's what "planned giving" is all about, planning a gift to a charity.

Most charities are well managed and have professional fund development staff to assist you with the information you need to leave a legacy in your will, a "planned gift." Choose a charity whose work and mission have affected or interested you, or people you care about. By going this route, you may actually become involved with the charity, possibly becoming a volunteer as well as a donor. It's the gift that keeps on giving.

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"One of the most important lessons of business - the value of concentrating on the customers you have"

- Tom Monaghan

"Being a good human is good business"

- Paul Hawken

"It is the service we are not obligated to give that people value the most"

- James C. Penney

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