

FamilyMatters

NEWSLETTER

WINTER ISSUE 2009

Scrivens
Family of Companies

The Scrivens Perspective

by Peter Scrivens, President



No doubt, many Canadians will find it difficult to find the resources they need to invest for their retirement this RSP season. Yet, financial experts agree, it is exactly at times like this that we should try to make appropriate investments for retirement. Review your budget and lifestyle carefully, they advise, to identify areas where you can cut spending. In the long run, the money you set aside this RSP season will deliver a more secure retirement in the years to come.

This year, we have a second choice for investing in our retirement. In addition to the usual RSP option, Canadians can now invest up to \$5,000 annually in a tax-free savings account. As you'll read on Page 2 of this newsletter, both offer distinct advantages, depending on your individual situation.

While 2008 is a year many of us will be happy to put behind us, there were some highlights. For example, our congratulations go to the organizers and participants of two very successful events—The World Junior Hockey Championships and the Bell Canada Capital Cup. A reminder that there's also a very successful yearly event right around the corner—Winterlude runs from Feb 6–22. Hope to see you there. ☺

Proposed "distracted driving" law will save lives, money

Two years after the province rejected calls to introduce a ban on cellphone use for drivers, Ontario has introduced legislation banning the use of cellphones, portable DVD players, video games and hand-held GPD devices while driving. As *Family Matters* reported in an article last year, the use of these devices is believed to be a factor in nearly one-fifth of all traffic accidents.

When the province adopts the ban, it will join Nova Scotia, Quebec, Newfoundland and Labrador, and more than 50 countries around the world that have enacted similar legislation. Under Ontario's new "distracted driving" law, motorists face fines of up to \$500 if they use one or more of the devices while in control of a vehicle.

While the law is tough—even making a cellphone call while in a traffic jam or at a red light will be illegal—we wish the government had gone further, banning hands-free devices as well. Studies have shown their use also increases the chances of having an accident. Organizations like the Canadian Automobile Association and the Ontario Medical Association agree that even hands-free cellphone calls are simply too distracting for motorists.

One official cautioned motorists to think twice about how they handle any distractions behind the wheel, whether it's drinking coffee, eating, applying makeup or using a hand-held device.

At the *Scrivens Family of Companies*, we believe the law will not only protect drivers and pedestrians, it will help keep

all of our insurance premiums in check by reducing the number of accidents—as well as the injuries and deaths—that often result from those accidents. ☺

Long term future likely for long term seminars

Given the success of our first Long Term Care seminar on Oct. 21, the *Scrivens Family of Companies* may offer similar seminars in the future.

At our initial seminar, Samara Lawrence, a key member of the case management team at the Champlain Community Care Access Centre (CCAC), reviewed that organization's roles and responsibilities. She was followed by Patty Vigna of Desjardins Financial Security, who spoke about the risks involved in not planning for long term care.

One thing the seminar made very clear—long term care insurance is perhaps the most effective vehicle to properly address the risks. We suggest you contact your *Scrivens* advisor to help you determine a level of coverage that meets the risk as well as your budget.

On behalf of all of us at *Scrivens*, a big thank you to all those who attended—your feedback was most appreciated. ☺

INSIDE matters

- Tax-free savings
- Condo caution
- Successful seminar



TFSAs offer a second option for your retirement

After dominating Canada's retirement landscape for generations, the trusty Registered Retirement Savings Plan (RSP) has a new competitor. And in this battle of retirement tax shelters, the Canadian consumer is the winner.

The new kid on the block is the Tax-Free Savings Account, or TFSA. As outlined earlier this year in *Family Matters*, the TFSA debuted on January 2, 2009. It is a valuable new tool designed to help Canadians of all ages protect their wealth.

TFSAs are particularly beneficial for large sum purchases such as home repairs or a new vehicle. More likely than not, these purchases will occur at various points in retirement. If you choose to pay for such a purchase from your RSP, the full amount would be added to your income for that year, thereby increasing your tax rate. However, if you withdraw the required funds from your TFSA, the tax effect would be nil. You can also use a TFSA to save for a down payment on a home or for education. Any Canadian resident over the age of 18 can open a TFSA.

Here are some ways a TFSA differs from an RSP:

- Unlike an RSP, you do not get an immediate tax deduction when putting the money into a TFSA. However, you do not pay tax on any increase in the value of your TFSA—such as interest, dividends or capital gains—when withdrawing money from the account. In short, where an RSP defers the tax you owe, a TFSA simply eliminates it.
- Your level of income, or any money you contribute to a registered pension plan, does not impact the contribution limit for a TFSA—it is \$5,000 a year for everyone.
- There is no fixed deadline to contribute to a TFSA—you can put in \$5,000 or less any time during the year. The deadline for contributing to an RSP is generally the end of February (this year's deadline is Monday, March 2).
- Unlike an RSP, you can withdraw funds from a TFSA and “re-deposit” them in future years without affecting your annual contribution limit.

There are also many similarities, not surprising given that both TFSAs and RSPs are designed to give Canadians a leg up when preparing for retirement. For example:

- Investments that qualify for an RSP also qualify for a TFSA. In other words, you can choose to invest in bonds, equities or mutual funds. No matter which you choose, of course, your investments should reflect your risk tolerance and investment time horizon.
- Like RSPs, you can forward any unused contribution room in a TFSA to future years.
- Both RSPs and TFSAs offer some income splitting potential because attribution rules do not apply. However, it's worth noting that while one spouse can give the other spouse money to put into an RSP, the one who gives the money may have to pay the tax on that money when it is withdrawn from the RSP. This does not apply to a TFSA. ☺

RSP facts and figures

While RSPs have been with us for years, it's still important to know the rules. You can find complete details on the Canada Revenue Agency website (www.cra-arc.gc.ca). Below are some of the key components:

- You may contribute to your RSP until December 31 of the year in which you reach age 71.
- The maximum annual contribution limit for the 2008 tax year is \$20,000.
- Your allowable RSP contribution is the lower of 18% of your earned income from 2008 or the amount remaining after any company sponsored pension plan contributions (the exact amount appears on the Notice of Assessment you receive from the Canada Revenue Agency).
- The deadline for contributing to an RSP for the 2008 tax year is March 2, 2009.
- If you can't make your maximum contribution one year, you can make up that portion of the contribution in later years by carrying it forward. The amount of your unused contribution limit is shown on your federal Notice of Assessment.
- If you are a member of a company-sponsored registered pension plan or deferred profit sharing plan, the amount that you can contribute to your RSP must be reduced by the total value of the pension credits you earned for the year.
- It may be to your advantage to delay claiming your current year's RSP tax deduction (you should contact your financial advisor to discuss the advantages and disadvantages). If you do want to take the deduction in a later year, make sure you have not reached your allowable deduction limit.
- You may contribute more than your maximum allowable amount for a year. This “over-contribution” has a lifetime allowance of \$2,000 and must be used before any new contributions are applied. ☺

An Ottawa winter, inside and out

There's no need to stay indoors in Ottawa during the winter—not when skating, skiing, sledding, curling and hockey opportunities abound. But if the weather's just too nasty, check out these great indoor events:

Winterlude Open House (February 7–22)

Learn more about your country with a leisurely stroll through selected areas of the Centre Block on Parliament Hill. Visit www.parl.gc.ca/vis or phone 613-239-5000 or (toll free) 866-599-4999 for information

Ottawa Film Festival (March 12–20)

Enjoy hundreds of feature, short films and documentaries. Visit www.offestival.com for more details.

March Break at the Bytown Museum (March 16–20)

Activities in Ottawa's oldest stone building include a heritage scavenger hunt, pioneer toys and Victorian dress-up. Visit www.bytownmuseum for more details. ☺



PERSONAL ASSET management

More ways to contribute to your retirement



With the introduction of the Tax Free Savings Account (TFSA) this month, many of you may be wondering if it's best to contribute to an RSP or a TFSA. Basically, it boils down to what your marginal income tax rate is when you contribute to an RSP and what it is when you withdraw funds from an RSP. If you expect your marginal rate to be lower in retirement, it may make more sense to contribute to the RSP. If the tax rate is the same or higher, a TFSA may make more sense.

There's a second important point to consider—the effect that RSP withdrawals will have on retirement benefits and tax credits such as the age credit, Old Age Security (OAS) and the Guaranteed Income Supplement (GIS). Because

every dollar—be it investment growth or original capital—withdrawn from an RSP is considered taxable income, OAS or GIS benefits are clawed back when income exceeds a given threshold.

For 2008, OAS starts to be clawed back at an income level of \$63,511 and is fully clawed back at \$102,865. GIS is clawed back at the rate of \$1 for every \$2 of a pensioner's base income (which includes payments from an RSP). In other words, \$2 in RSP income means \$1 clawback in GIS. As for the age credit, it begins to be clawed back at an income level of \$31,523, and is fully clawed back at \$66,696.

What is the right answer for you? A meeting with your *Scrivens* advisor is always a good way to start.

Contact your *Scrivens* advisor at 613-236-9101.



RISK management COMMERCIAL insurance

Global financial challenges impact property casualty insurance



An estimated \$9.6 billion (US) in claims—a direct result of the global credit losses—will have a major impact on the North American Commercial Property Casualty Insurance market. Of that total, an estimated \$3.7 Billion (US) will be Errors & Omissions insured losses. Directors & Officers coverage losses are expected to total \$5.9 Billion.

The “Financial Institution” segment of the 2007–2009 aggregate losses could equate to 229 points to insurer loss ratios within the class of business. At this stage alone, the actual losses are identifiable to 418 sub-prime and credit crisis-related lawsuits, including 124 related security class action suits.

The losses stemming from this global financial challenge will be a driving factor

in ending the current “soft” phase of the overall commercial insurance market cycle through 2009. This will probably be most noticeable by the second half of 2009 as insurers get closer to fully quantifying the impact on their own company results.

While relatively healthy, the Canadian insurance marketplace will undeniably be impacted by these results. Insurers will be much more selective in their risk acceptance over the next year or so, which could result in some upward pricing on insurance for some business.

As we have direct access to a diverse selection both domestic and foreign owned insurance companies, the *Scrivens Family of Companies* remains well positioned as an insurance broker to assist commercial insurance buyers with their risk transfer insurance needs.

For more information, call Ole Jensen at 613-236-9101. ☎



PERSONAL insurance

Considering a condominium? Consider the risks before you decide



Condominium sales are rising. First-time buyers see condos as the best way to get into the housing market; retirees like the hassle-free lifestyle; young couples enjoy the affordable urban locations.

Before buying a condo, there are a few things to consider. For example, fees and assessments are part of every condo purchase. Know what your condo fees cover, and find out how much money the condo has in its contingency fund. Older units may require new roofs, new windows and other repairs; these can easily wipe out a contingency fund, saddling you with unexpected costs.

Here are some other issues to consider:

- Purchase the largest suite you can afford—studios and one-bedrooms are more difficult to re-sell.
- Make sure you like the neighbourhood—visit the area at different times of day, and consider the view.
- Consider the location of the suite—you don't want to look out over the waste disposal area or the garage entrance. Stay away from the elevator.
- Get a parking space even if you don't drive—you can always rent it out.
- Look into the amenities—you don't want to pay for a gym or pool if you don't use it.
- Check out common areas for wear and tear.

All the general rules that apply to purchasing a house apply to condominiums. For example, hire a real estate professional (the seller pays, not you) and a good lawyer. For a comprehensive list of what to look for when buying a condo, refer to *101 Streetsmart Condo Buying Tips for Canadians* by Douglas Gray.

For more information, call Jennifer Falconer at 613-236-9101. ☎



OTHER MATTERS

The *Scrivens Kitchen*

The recipe serves four.

Italian Wedding Soup

Ingredients

- 1/2 pound extra-lean ground beef
- 1 egg, lightly beaten
- 2 tbsp dry bread crumbs
- 1 tbsp grated Parmesan cheese
- 1/2 tsp dried basil
- 1/2 tsp onion powder
- 5 3/4 cups chicken broth
- 2 cups thinly sliced escarole
- 1 cup uncooked orzo pasta
- 1/3 cup finely chopped carrots

Directions

- In medium bowl, combine meat, egg, bread crumbs, cheese, basil and onion powder.
- Shape into 3/4 inch balls.
- In large saucepan, heat broth to boiling; stir in escarole, orzo pasta, chopped carrot and meatballs. Return to boil, then reduce heat to medium.
- Cook at slow boil for 10 minutes, or until pasta is al dente, stirring frequently to prevent sticking.


Send us a favourite recipe and we'll share it through the Scrivens Kitchen. 

Staff and Stuff



The *Scrivens Family of Companies* is pleased to introduce two new employees. **Lena Erysthee**, who has assisted asset management clients in the financial industry since 1995, joined our GIC department in September. Call Lena for the latest

information about your investments or other financial matters.


Marilyn Foran also joined the Scrivens team in September, providing administrative support to account executives in our Commercial Lines Department. With more than 25 five years in the insurance industry, Marilyn brings a wealth of knowledge and expertise to our team. 



Worth Reading

Payback: Debt and the Shadow Side of Wealth by Margaret Atwood

Debt, says Canadian author Margaret Atwood, is not just a political and economic issue. Nor is it a matter only for CEOs, heads of state, hedge fund managers or people with mortgages. In *Payback*, Atwood maintains that debt is a cultural issue, a view well worth considering in today's financial crisis.

Read a good book lately? Let us know and we'll tell others about it in Worth Reading. 

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Funds have tax credits that are subject to certain conditions and are generally subject to recapture, if shares are redeemed within eight years.

Personal Opinions & Recommendations Disclaimer

The foregoing is for general information purposes only and is the opinion of the writer. This information is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. However, please call *Scrivens Family of Companies* to discuss your particular circumstances.

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