

The Dream Achiever



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"It takes 20 years to build a reputation and 5 minutes to ruin it. If you think about that you will do things differently."

~ Warren Buffett

What is a penny stock?

The 2012 Federal budget announced that the government will be eliminating the penny from Canada's coinage system. It will no longer distribute pennies as of the Fall of 2012; however, the penny will retain its value indefinitely and can continue to be used in payments.

It currently costs the government 1.6 cents to produce it and other countries, such as New Zealand, Australia, the Netherlands, Norway, Finland and Sweden have similarly moved to a "penny-free economy."

The cent will remain Canada's smallest unit for pricing goods and services and pennies can be used in cash transactions indefinitely. When pennies are not available, the government has indicated that cash transactions should be rounded to the nearest five-cent increment in a "fair and transparent manner." Non-cash payments such as cheques, credit and debit cards will continue to be settled to the cent.



The smell of springtime growth is in the air

If you look in gardens around town, the green shoots of the budding crocus and tulips have begun to spring up all around. If you look at your portfolio summaries you should be seeing similar green shoots.

The start of the year in the markets has been quite favorable. Volatility has been noticeably lower, Europe was given more funds alleviating immediate liquidity-related worries, U.S. job and consumption numbers have been improving, and data out of China has reinforced the view of a "soft-landing".

In the first quarter, the Canadian TSX was up 3.65% while the S&P 500 in the U.S. was up a very impressive 12.6%*. International and emerging markets got off to very solid starts as well. As we've been saying, a small change in sentiment can mean a quick change in market pricing. Companies have continued to report good numbers, but none of the underlying issues have changed much.

On March 29th the **Federal Budget 2012** was released. The big news of the day was with respect to **Old Age Security**. Starting in 2013, anyone turning 65 years of age will have the option of deferring their OAS payments until they turn 70. This deferral will result in a higher OAS payment, similar to deferring CPP payments.

A more significant change will begin in 2023, when the minimum age for collecting OAS will start to gradually rise. By 2029, the minimum age to qualify for OAS payments will be 67.

Our cross border shoppers will be happy to know that the budget proposes duty free **travellers' exemption** increases: \$200 up from \$50 when out of country for 24 hours or more, and \$800 when out of country for 48 hours or more replacing both the current 48 hour exemption of \$400 and current 7-day exemption of \$750. These measures will be effective for travellers returning to Canada on June 1, 2012 or thereafter.

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Market Overview Continued

There were also announcements with respect to **Registered Disability Savings Plans**, making them more attractive, while loopholes were closed on **Retirement Compensation Arrangements**. If you have any questions about the markets, your portfolio summaries, the recent budget, or any other financial matter, call us. It will be our pleasure to assist you.

Planting seeds with kids! Children love to plant seeds in the soil and watch them grow into flowers and vegetables. Planting in containers is the easiest way to get started. Containers are small, flexible, portable and easy to control. Give your children “ownership” of several containers and make it their garden. For flowers annuals that are easy to grow include marigolds, petunias and zinnias. When it comes to vegetables tomatoes, cucumbers, carrots or zucchini are some great choices. Happy family gardening!

New-year planning items

Things to look at in the new-year include:

- **Tax Return Deadline: April 30, 2012**
- **RRSP Contribution Room for 2012:** Please provide us with your room for the 2012 tax year when you receive your Federal Notice of Assessment. The maximum room for 2012 is \$22,970. You may need to adjust your automatic savings plans for the coming year accordingly.
- **Tax Free Savings Account (TFSA):** As of January 1, 2012 you received another \$5,000 of contribution room. This would be combined with any unused room you carried forward plus any withdrawals you made in 2011.
- **RESP:** You can now do your 2012 RESP contributions and benefit from the government grants.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2012 will need to convert their RRSPs into RRIF accounts before the end of the year. We will be in contact to assist you with getting that done.



Matt's Planning Corner – Tax efficient investing

The 2011 **RRSP** season has just ended and on January 1, 2012 we got a new \$5,000 of **TFSA** room. You are probably familiar with these two programs where you can enjoy **tax free growth** making the tax efficiency of underlying investments in these plans not all that important.

Outside of these plans, investment returns can take different forms. Cash and GICs generate interest income. Bonds generate interest income and, to some extent, capital gains. Stocks generate capital gains and dividends. **Interest income and foreign dividend income** are 100% taxable, **Canadian dividend income** is subject to a gross-up and the dividend tax credit (to avoid double taxation), and **capital gains** are 50% taxable. Obviously you'd prefer to have the type of return that is taxed the most favorably, but you generally need to take on more risk to get it.

A recent development in mutual funds has been the use of **corporate class funds** that are all held within a single corporation and allow you to move between funds without a taxable event taking place. They also have the potential to reduce or eliminate taxable distributions and make them more tax efficient. Many funds have now also allowed for systematic payments that are mostly a **return-of-capital** to minimize the immediate tax consequences of your payouts. This allows you to defer the tax until a future date. **Let us make sure you're investing TAX-SMART!**

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 **David Humes, Matthew Humes, or Chantal Massicotte** to discuss your particular circumstances.

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*Source: <http://www.standardandpoors.com>