ADVANTAGE FINANCIAL SERVICES

PORTFOLIO STRATEGIES corporation

Our Team:
Ryan Peterson
Launa Anderson
Mary Smith

Office: 403.381.9195
Toll free: 888.741.1361
Fax : 403.380.2290
Mobile: 403.892.0937
Email: ryan@advfinancial.ca

#280, 104—13 Street North
Lethbridge, AB T1H 2R4

Random Thoughts

Intaxication
The short-term euphoria associated with a tax refund that fades when you realize you are getting your own money back, interest-free, over a year later.

Both optimists and pessimists contribute to our society. The optimist invents the airplane and the pessimist the parachute.
~Gil Stern

The man who says he is willing to meet you halfway is usually a poor judge of distance.
~Author Unknown

A big thank you to everyone who joined us at the Movie Mill to enjoy Polar Express.
Your extremely generous food donations were greatly appreciated by the food bank.

The RRSP deadline is February 29th this year.

It's *That* Time of Year

It's that time of year again when people are looking to lower their payable taxes for the previous year. Need some incentive to contribute to your RRSP for 2011? Consider the following:

- The total amount of your annual contribution can be deducted from your gross income, reducing the amount you pay in income tax for that year.
- Any income (interest, dividends, capital gains) earned on your qualified investments held within your RRSP is not taxed until withdrawn. This is where your least tax efficient investments (GIC's. bonds, foreign investments etc.) should be held.
- You pay no tax on investment growth while your money remains inside an RSP, so your investments compound more quickly.
- With an RRSP, you can defer paying taxes on invested money until you retire.
- The tax rate upon withdrawal is usually lower than the tax rate upon original contribution.

If you don't contribute the maximum allowed yearly, your unused contribution limit is carried forward and you can make it up in later years. The amount of your unused contribution limit is shown on your Notice of Assessment. You may contribute to your RRSP until December 31 of the year in which you reach age 71.

If you've missed making your full contribution in previous years, you may want to catch up. One way to maximize your RRSP contribution is to get an RRSP loan.

Even though the interest on the loan is not tax deductible, it still may be advantageous to borrow money

The cost of the loan could be offset by the resulting tax savings and your investment income will grow tax sheltered. As well, you could choose to use your income tax refund to pay off your RSP loan early with no penalty.

If you are uncomfortable with the idea of a loan, setting up monthly contributions to your RRSP is another option.

RRSPs make the most sense when the tax rate upon withdrawal is expected to be lower than the tax rate upon original contribution. Conversely, a TFSA will work better if your tax rate will be higher upon withdrawal than it was when you contributed. RRSP withdrawals are considered income and could effect benefits such as the Guaranteed Income Supplement or Old Age Security, which are clawed back based on income.

TFSAs can also help individuals who can't contribute to an RRSP. Employees who are members of registered pension plans through their employers may find their ability to contribute to an RRSP limited by the pension adjustment. As well, people who have low earned income may find the TFSA a useful way to save for retirement on a tax-free basis. It makes sense to utilize both types of plans.

If you are not sure which option or combination of options will work best for you, make an appointment and we can look at your specific situation.

Informative Articles:

Spend Less, Save More
http://blog.getsmarteraboutmoney.ca/index.php/jonathan-chevreau-spend-less-save-more

5 reasons why TFSAs are becoming a top retirement investment
http://ca.finance.yahoo.com/news/5-reasons-why-tfsas-becoming-145215931.html

How to make your retirement money last
http://money.ca.msn.com/retirement/gordonpowers/how-to-make-your-retirement-money-last?page=0