

LARA AUSTIN MINDINGMONEY

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FOR THE FRIENDS AND CLIENTS
OF LARA AUSTIN OF
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My heart goes out to those who have lost jobs due to Target closing, and those with connections to 'The Oil Patch' which is responding quickly to the change in oil prices by downsizing. I can personally attest to the feelings you are going through when losing a job unexpectedly. When I moved out of my parents' home, I was still 17 and finishing the last semester of high school. I lived with an elderly lady near the school who, in exchange for light housework and companionship, gave me room and board. I also worked weekends at a local pub for cash. One day I walked to work for my shift and the windows were boarded up. It took over two weeks to 'contact the owners' who apparently had gone into receivership. I did get my last paycheque – but it was a real 'wake up' call.

While I know many of my readers are retired, I also know that many of you have children or grandchildren affected by the changing courses of our economy. In this issue I have included an article on 'Incentive Payments – addressing what options you have for your Severance pay'. It is often missed that the Group Health Plan offers an extension on Life and Health coverage – if you respond to the documents within 30 days. Particularly important to consider if you have family you are responsible for. It is worthwhile to consider as the insurer often extends group rate premiums which CAN be less costly than private coverage at a later date.

The lessons I learnt from my abrupt change in circumstances...

1. **Have a Plan B ready.** Whether it is an 'emergency fund' or access to Line of Credit – be sure you can support yourself while you transition to a new job (weirdly this lesson is often quoted, but much ignored until experienced firsthand! It bears repeating anyway.)
2. **Be aware of your surroundings.** If your place of business is a lot 'less busy' than usual. If the managers or owners become distant or inaccessible. One too many 'slow shifts' could be a clue to change afoot.
3. **Don't take it personally.** It was the employer's responsibility to keep things running well – not yours! When my son was 15, he lost his first job at a local sub shop because it closed down. It took him a while to 'get back in the mood' for even trusting an employer.
4. **Sometimes change leads to better things.** My early career choices shaped my work ethic, my career choice and who I am today.

Should you or your family require any resources relating to Severances or Pension Options, our firm has put many more resources together for me to share with you. Simply call and let me know.

Cheers,
Lara D. Austin



RBC Wealth Management
Dominion Securities

IT'S TAX SEASON! WHAT YOU NEED TO BE PREPARED...

Every year about this time, my assistant and myself get a thrilling 95 page manual. This year it is called 'Survival Guide for the 2014 Tax Year'. Survival just about covers it. February, March and April are THE busiest time of year. We aim to keep it simple and stress free for our clients, but it appears the Canadian Income Tax Act just keeps getting more complicated. In my own words, here are the 95 pages condensed...

Mailing Dates: These are anticipated dates and subject to change as information is forwarded to RBC DS.

Registered accounts: (RRIFs and RRSPs.)

T4RSP, TFRIF, T4A and NR4 Forms: Feb 16, 2015.

Contributions Receipts for RRSP's: If done in 2014, mailed by Jan 9. If done in 2015, mailed weekly.

Non-Registered accounts: (common forms, we can supply dates for other forms on request.)

T5/R3 and NR4 Package: Approximately Feb 16, 2015.

T3/R16 and NR4 Pages (Income Trusts): March 10, 2015 to Completion* Although the government imposed a deadline for Trusts in 2007, we note that many still do not file in a timely manner.

Important Points to Remember:

- Your non-registered account will come with a COVER LETTER telling you what is still missing. This can be your 'check list' as any stragglers trickle in.
- Most forms are produced by RBC DS and will be mailed by the above dates. However forms like T3s and T5s from mutual fund companies are mailed directly from the mutual fund company and may be received later.
- After a reasonable wait for Canada Post to deliver, my assistant Rayanne can produce duplicate copies of any RBC DS produced forms on request for next day pick up. Any third party forms must be requested from the fund company and 'turnaround times' vary.
- We can forward tax slips to your tax professional ONLY with a written authorization to do so (an e-mail request won't suffice). This is due to privacy regulations and protecting your sensitive information.
- We can e-mail duplicates to YOU, but e-mails

must be encrypted (you could then forward to your accountant).

- Any clients who have requested duplicate copies go DIRECTLY to their accountant should ensure that the accountant hasn't moved. Remember – only DS printed forms will go to the accountant – not third party produced forms.
- Capital gains reports... please note that ACB is based on the figures WE have for your holding. Revenue Canada requires that your ACB (Adjusted Cost Base) per stock is based on ALL your holdings. Therefore if you hold the same stock at multiple institutions, or in multiple accounts, your accountant will need to calculate your own unique ACB (another good reason not to spread yourself among multiple firms).

SPECIAL FORM ALERT!

IF you have over \$100,000 in Foreign Equities (US and International), CRA is requesting a new form to be included (since 2013), called a T1135. Here is a little background...

The Canada Revenue Agency (CRA) requires that Canadian resident clients who hold specified foreign property with an aggregate cost totaling over C\$100,000 during a calendar or fiscal year end must report this information to the CRA on a Foreign Income Verification Statement or also known as form T1135. As of June 2013, CRA requires more detailed information on applicable foreign holdings such as its maximum market value, income produced and its country code as a few examples.

In 2013 Dominion Securities, along with fellow financial institutions, lobbied for reprieve and successfully received agreement from the CRA for the usage of T1135 transitional reporting for clients of Canadian Registered Securities Dealers. This reprieve will not be continued for the 2014 tax year. We did, however, in pushing for concessions for this form going forward secured 'simpler' reporting for clients of a Canadian registered securities dealer (Section 7 on T1135).

Although the fulfilment of T1135 reporting is not a broker obligated task or filing, it is recognized that we must assist our clients in reporting foreign assets they hold at Dominion Securities and further enable them to have an uncomplicated tax reporting season. In fulfilment of this service, Tax Reporting will make available such required information (in as much as

has been confirmed with the CRA) in an on-demand report. This report will provide, for the most part, the required elements for T1135 reporting, allowing for it to be completed in a much more user friendly format. Some highlights of the reporting include:

- 1) Calendar and fiscal year end reporting: reports include information on assets as far back as July 2013.
- 2) Unrestricted cost reporting: allows for report availability for clients who may have specified foreign property outside of Dominion Securities.
- 3) Country-by country segregation of property.

4) Monthly and Year end capture of aggregate market value and income.

5) Detailed reporting of specified foreign property to allow for easier reconciliation.

This report is available to our clients on a "ON DEMAND" basis. If you think you qualify for filing a T1135, please let myself/Rayanne know.

"Time minimizes the risk of good investments."
– Unknown

EMPLOYMENT CHANGES – SEVERANCE AND OTHER BENEFITS

MAKING YOUR INCENTIVE PAYMENT WORK FOR YOUR CHANGING CIRCUMSTANCES

Due to changing circumstances in your life, you will need to make choices that will have both short-term and long-term implications. Looking at these options within the context of your overall financial situation and life plan, will help you make the best financial choices.

HOW DOES YOUR SEVERANCE PAYMENT FIT IN?

Your severance payment is a lump sum of money that your employer may pay you upon leaving their employment. When deciding what to do with it, you may want to consider using your severance payment to:

- Cover your living expenses until you find new employment
- Pay off debt
- Realize a major purchase
- Start a new business

Your lump-sum payment is fully taxable if received in cash, and your employer is required to deduct a withholding tax of up to 30% (31% in Quebec) when the money is paid out to you. Depending on your other sources of income, you may receive a refund of some of this withholding tax or you may have to pay more when you file your income tax return.

You may be able to reduce or defer some of this tax by taking advantage of the following strategies:

STRATEGY 1: SPECIAL ROLLOVER TO YOUR RRSP

A portion of your severance payment may qualify as a retiring allowance, and if you have been working for the company since 1995 or earlier, you may be able to transfer, or roll over, some of it to your RRSP. This gives you the advantage of avoiding the withholding tax and of not needing or using up your RRSP contribution room.

The maximum amount of the retiring allowance you can transfer into your RRSP (i.e: the eligible retiring allowance) without using up RRSP contribution room and avoid withholding taxes, is:

- \$2,000 for each year (or partial year) of service up to and including 1995; plus


- an additional \$1,500 per year (or partial year) of service up to and including 1988 during which you were not a vested member of the company pension plan.

It is important to know that if you decide to take advantage of the RRSP rollover, you must do so in the year the retiring allowance is received, or the first 60 days of the next year. This special contribution cannot be carried over to future years, and no rollover is allowed for years of service after 1995. Also remember that the eligible retiring allowance can only be rolled over to your RRSP and not an RRSP of which your spouse is the annuitant.

STRATEGY 2: REGULAR RRSP CONTRIBUTIONS

You may be able to contribute some or all of your severance as a regular RRSP contribution to your RRSP or a spousal RRSP. The amount you can contribute will depend on your RRSP contribution

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limit for the year, along with any “carry-forward room” from previous years. If you commute your pension, you may also get a pension adjustment reversal (PAR) which will increase your RRSP contribution room.

If the company offers, the portion you wish to contribute may be able to be transferred directly into your RRSP, which will avoid any withholding tax.

STRATEGY 3: TAKING THE SEVERANCE IN CASH

You may be able to receive your severance payment in cash, subject to withholding tax. You may even wish to take the eligible portion of your retiring allowance in cash if you need it to live on before finding a new job, to pay down debts or to fulfill another goal. If you are unsure whether you will require the severance to support your current expenses, there still may be some value in making the rollover while you can and then deregistering the RRSP funds as necessary. This may allow you to take advantage of the tax-deferred growth of the funds.

STRATEGY 4: PLACING CASH IN A TAX-FREE SAVINGS ACCOUNT (TFSA)

You could also take the after-tax proceeds of your severance payment and contribute to a tax-free savings account to shelter future growth from tax.

INCENTIVES

CONTINUE TO PROTECT YOURSELF AND YOUR FAMILY

When you leave an employer, you may also be leaving its group medical, dental, and life insurance coverage. Check with your benefits representative or human resources to find out how long you will be covered under the company benefits plan or if it's possible to convert to personal coverage at your own expense.

If you are losing your company benefits entirely, check to see if you may qualify for benefits under your partner's employee group benefits.

A third option would be to arrange personal coverage through another provider to maintain the protection. This can be a cost-effective decision in the long run, as medical or dental bills can be substantial.

SALARY CONTINUANCE

In lieu of severance, some employers will offer a salary continuance. Essentially, they will continue to pay you for a set amount of time or until you find new employment.

THIRD PARTY SERVICES

Some employers will offer counseling, resume writing or job placement services through third-party providers. These services are offered and designed to help you find new employment.

CORPORATE VOUCHERS OR DISCOUNTS

Occasionally, companies will give laid off employees a voucher to use for their own products or services. These kinds of benefits are taxable and are usually reported by the company on a tax slip when the voucher is used. Instead of vouchers, discounts are sometimes offered and are generally not taxable but they usually have an expiration date.

Please contact your RBC advisor and accountant or tax advisor for assistance with your incentive payment.

RRSP DEADLINE is Monday, March 2, 2015 - 4p.m. (for those last minuter's!)

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