

Wade Wealth Report

FOR THE CLIENTS AND FRIENDS OF PORTFOLIO MANAGER FRANK WADE | SPRING 2013

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OF RBC DOMINION SECURITIES



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RBC will never, under any circumstances, send you an e-mail that includes a link or phone number asking you to:

- Update or verify your account details or other personal information online or by phone
- Log on to DS Online (or another private website)

When these fraudulent e-mails contain links – DO NOT click on the links or reply to the message. Remember that these links take you to a phoney website designed to capture your personal information. The websites often look legitimate and may even contain RBC banners and logos to try to fool you.

If you receive an e-mail that asks you to provide confidential information, such as account passwords, PIN, Social Insurance Number or any other personal information – either online or

by phone – DO NOT respond. Instead, please notify RBC by forwarding the e-mail to information.security@rbc.com.

If you believe you have provided your account or other personal information in response to a fraudulent e-mail, call us immediately at 1-800-769-2555 or see the “Contact Us” information at www.rbc.com/security/contact-security.html.

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For more information, or if you have any questions about fraud, contact our office today!



RBC Wealth Management
Dominion Securities



2013 HANDY FINANCIAL PLANNING FACTS

The following is a summary of some common financial planning-related information that you can use as a handy reference. Any values noted below are for 2013.

Retirement											
Maximum CPP/QPP benefit at age 65	\$1,012.50 per month										
Maximum CPP/QPP benefit at age 60	CPP – \$684.45 per month (32.4% max reduction) QPP – \$708.75 per month (30% max reduction)										
YMPE — Yearly Maximum Pensionable Earnings	\$51,100										
Maximum OAS benefit for Q1	\$546.07 per month										
OAS clawback rate	\$0.15 for every \$1 of net income above \$70,954; the full OAS is eliminated at a net income of \$114,640 or higher										
RRSP — maximum annual deduction limit	■ \$22,970 for 2012 ■ \$23,820 for 2013										
RRSP — withholding tax on withdrawals by a resident of Quebec / rest of Canada respectively	■ 21%/10% for amounts up to \$5,000 ■ 26%/20% for amounts \$5,000 – \$15,000 ■ 31%/30% for amounts over \$15,000										
TFSA contribution room created on Jan. 1st	\$5,500 (an increase of \$500 since 2012)										
Education											
Maximum annual RESP contribution	Unlimited annual up to lifetime maximum of \$50,000 per beneficiary										
Annual RESP contribution for maximum CESG	20% of first \$2,500 per beneficiary = CESG up to \$500. Plus 20% of next \$2,500 per beneficiary if carryforward room is available = additional CESG up to \$500. Maximum annual CESG = \$1,000/year/beneficiary										
Tax											
Basic personal tax exemption	\$11,038 (base) \$1,656 (credit)										
Federal tax brackets and rates based on taxable income	<table> <tr> <th>Taxable income</th><th>Federal rate</th></tr> <tr> <td>\$0 – \$43,561</td><td>15%</td></tr> <tr> <td>\$43,562 – \$87,123</td><td>22%</td></tr> <tr> <td>\$87,124 – \$135,054</td><td>26%</td></tr> <tr> <td>\$135,055 – and over</td><td>29%</td></tr> </table>	Taxable income	Federal rate	\$0 – \$43,561	15%	\$43,562 – \$87,123	22%	\$87,124 – \$135,054	26%	\$135,055 – and over	29%
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\$43,562 – \$87,123	22%										
\$87,124 – \$135,054	26%										
\$135,055 – and over	29%										
Government links											
Canada Revenue Agency website	www.cra-arc.gc.ca/menu-e.html										
Canada Revenue Agency General Help Line	1-800-959-8281										
Phone number/web sites for CPP/OAS queries	1-800-277-9914 www.servicecanada.gc.ca/eng/isp/cpp/cpptoc.shtml www.servicecanada.gc.ca/eng/isp/oas/oastoc.shtml										

If you have any questions or require clarification on any of the issues discussed in this table, please do not hesitate to contact us.

WHAT TO DO WITH YOUR TAX REFUND

As a result of RRSP contributions, interest expenses, tax shelter deductions or various other tax deductions and credits, you may be expecting, or have recently received, an income tax refund from the Canada Revenue Agency (CRA). If you receive a tax refund, it may be a good opportunity to determine if you can use some or all of it to improve your financial well-being.

Have we recently prepared a financial plan for you? If so, a good first step in determining the best use for your refund is to review the recommendations in the financial plan. You can then review the areas needing improvement and prioritize what is most important to you. The receipt of an income tax refund can be a great catalyst for you to implement some of the strategies in your financial plan.

The following are some common financial planning recommendations that you may want to address with your tax refund.

RISK MANAGEMENT STRATEGIES

When it comes to managing your finances, you probably understand the benefits of saving on a regular basis. But what is equally important, and sometimes forgotten, is ensuring that you and your family are taken care of in the event of your death or disability. The receipt of your income tax refund can be a catalyst to address the following three common risk management strategies:

1. Meet a lawyer to have a Will and Power of Attorney prepared.
2. Ensure you have adequate disability and critical illness insurance.
3. Ensure you have adequate life insurance.

REDUCE NON-DEDUCTIBLE DEBT

Consider paying down an outstanding

non-deductible debt subject to a high interest rate. Non-deductible debt includes credit card debt, a personal use car loan, and a line of credit used for personal purposes or the mortgage on your home. As the interest on a loan used for personal purposes is not deductible for income tax purposes, you are paying the interest on the loan with after-tax dollars. The higher the interest rate on the loan or the higher your marginal tax rate, the more income you have to earn to pay the interest on this loan, so the more beneficial it is to pay down this debt.

RRSP OR NON-REGISTERED SAVINGS

If you do not have high interest non-deductible debt, then another option for your income tax refund is to save your refund in an RRSP or a non-RRSP account. Whether you should save your refund in an RRSP or non-RRSP account depends on your specific circumstances and several financial assumptions. However, the following general observations can be noted:

- If your marginal tax rate in retirement is expected to be the same or lower than your marginal tax rate today, then consider contributing to your RRSP.
- If you are seeking to invest in securities that produce Canadian source dividends and capital gains and are in a low tax bracket today but expect to be in a higher tax bracket in retirement, you are generally better off to save outside

an RRSP.

CONTRIBUTE TO A TAX-FREE SAVINGS ACCOUNT (TFSA)

The TFSA provides a further option for investing your tax refund. The TFSA allows you to make a \$5,500 (indexed to inflation) annual maximum contribution. All growth, income and withdrawals are tax-free. You are also able to gift money to your spouse to invest in a TFSA without being caught by the income attribution rules.

You may be wondering if it is better to invest your tax refund in an RRSP or a TFSA if you are unable to do both. The following general guidelines can help you make the decision:

- Choose the TFSA if your expected marginal tax rate in retirement is going to be higher than your marginal tax rate today.
- Choose the RRSP if your expected marginal tax rate in retirement is going to be lower than your marginal tax rate today.

EMERGENCY FUND

A fundamental financial planning strategy is to have some money set aside for unexpected expenses or a job loss. In general, consider keeping approximately three to six months of living expenses within a liquid emergency fund. If you do not have an adequate emergency fund, you may want to direct some or all of your tax refund towards its creation.

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TAX REFUND

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As an alternative to directing your income tax refund to a savings vehicle that may earn little interest, consider obtaining or increasing your line of credit for emergency purposes only.

RECEIVE YOUR TAX REFUND EARLIER

You should ensure that the information you provide to your employer on your CRA Form TD1 – Personal Tax Credits Return is up-to-date. You may have had a change in your personal or family situation since last year allowing you to claim credits for certain items, such as pension income, spouse or common-law partner amount, caregiver amount and disability amount. Letting your employer know of these additional credits will allow your employer to lower income tax deductions at source so you won't have to wait until your tax return is assessed to receive your refund.

If you do not want to wait until after you file your income tax return to receive your tax refund, you can also complete CRA Form T1213 – Request to Reduce Tax Deductions at Source if you have regular tax deductions such as RRSP, child care expenses and alimony. This form is used to ask for reduced tax deductions at source for any deductions or non-refundable tax credits that are not contained on the TD1 Form. If this form is accepted by CRA, they will authorize your employer to reduce the income tax withheld from your paycheque during the year, thereby increasing your net pay. In essence, this will enable you to receive your tax refund periodically throughout the year rather than waiting for a lump-sum tax refund after you file your income tax return.

TEAM ANNOUNCEMENTS

WELCOME LEXAH MAE CARRIERE!

Chris Carriere, his wife Colette and their son Grayson welcomed a new baby girl to their family on March 6, 2013. The whole family is doing well, although Chris is just a wee bit sleep-deprived!

... AND A FOND FAREWELL TO GAY!

Congratulations to Gay Wiley, who retired from RBC Dominion Securities on December 31, 2012. Stepping in her shoes is Rachel Derkson who comes to us from a law firm downtown where she obtained her level 3 Certificate in General Accounting. She is currently enrolled in financial planning courses at RRC.



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