

THE STANTON REPORT

Winter 2014

*Views and opinions for
the friends and clients
of Investment Advisor
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A Word from Richard

Happy New Year to all my friends and clients! Hopefully you all had a chance to rest and relax over the holiday season. My family got some much needed rest and also enjoyed the company of extended family during Christmas. Our New Years was quiet but we did manage to stay awake until midnight then as the hour passed, it was quickly off to bed. As I write this the girls are getting ready for their first day back to school. All their extracurricular activities are starting as well so it's back to our busy schedule. I think we all are happy to have the routine back into our lives.

As you know, we are a family of skiers so we are looking forward to a few months of hitting the slopes at Hudson Bay Mountain. It was a slow start to the ski season and we have only gone up a couple of times. The conditions aren't bad but we need more snow.

As always, I am available to assist and discuss all of your investment goals and objectives for the coming year. Give Tracy a call or send her an email if you want to set up an appointment either in person or via telephone.

Here is what happened in 2013:

- › **S&P/TSX Composite Index 13%**
- › **Dow Jones Industrial Average 26.5%**
- › **MSCI World Index 27.8%**
- › **Crude Oil 5.4%**
- › **Natural Gas 7.1%**
- › **Gold -27.8%**
- › **Silver -35.7%**



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Tax-Free Savings Account (TFSA) Quick Tips 2014

2014 TFSA Contributions

Starting January 1, 2014, you can contribute an additional \$5,500 to your TFSA to benefit from additional tax-free investment growth. With the contribution room from 2009 through 2014, you may be able to contribute up to \$31,000 to your TFSA if you haven't opened yours yet.

Tax-Free Benefits

With a TFSA, you can contribute up to your contribution limit each year (\$5,000 for years 2009-2012, and \$5,500 for 2013 and 2014), earn tax-free investment income including interest, dividends and capital gains, and even make withdrawals - at any time, for any reason - without paying tax. Although this may not sound like much at first, with tax-free compound growth, it can add up over time.

Opening a TFSA

Any Canadian resident who has reached the age of majority in their province can open a TFSA. The age of majority is 19 in Newfoundland and Labrador, New Brunswick, Nova Scotia, British Columbia, Northwest Territories, Yukon and Nunavut. In all other provinces, it is 18. Bear in mind that you need to have a valid social insurance number to open a TFSA. To open your TFSA, please ask us for assistance.

Making Contributions

From 2009-2012, you could contribute up to \$5,000 annually to your TFSA. In 2013, the TFSA contribution limit increased to \$5,500. Contribution room accumulates every year starting at age 18, and can be carried forward indefinitely. You can continue contributing to your TFSA even when you're retired - it's a lifelong plan.

Choosing Your TFSA Investments

Regular savings TFSA: You can choose from interest-bearing savings products such as GICs.

Full-service TFSA: You can choose from equities such as dividend-paying stocks, most mutual funds and fixed income investments like bonds, T-bills and GICs.

RBC Dominion Securities offers a full service TFSA. Generally, a full-service TFSA makes most sense if you want to implement a TFSA strategy designed to maximize tax-free compound growth. To learn more about the difference between a regular and full-service TFSA, please ask for our report "Choosing the right TFSA."

Making Withdrawals

You can make tax-free withdrawals for any reason, unlike an RRSP. Plus, the amount you withdraw is added back to your available contribution room the

following year. Remember that you have to wait to re-contribute any amounts you have withdrawn in any given year until January 1 of the following year. Otherwise, the Canada Revenue Agency may assess excess contribution penalties. In addition, any income or capital gains earned on over contributions would be subject to 100% tax. There is no requirement to make withdrawals at a certain age. As a result, you can let your investment earnings continue growing tax-free (see chart on next page).

Flexibility

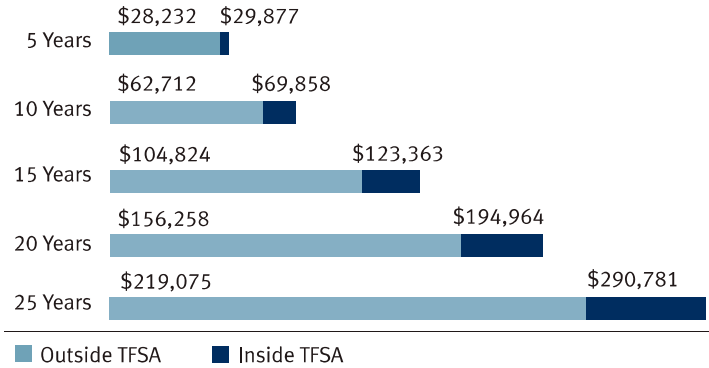
You can use your TFSA to meet a wide range of savings goals—for a major purchase, as an emergency fund or as a complement to your RRSP or Registered Retirement Income Fund (RRIF) for an additional tax-wise savings strategy.

Transferring Your TFSA

To avoid delays and adverse tax consequences, transfer any TFSA assets held at another financial institution into your RBC Dominion Securities TFSA through a “qualifying transfer” instead of withdrawing and re-contributing. We can help you make a qualifying transfer quickly and easily.

Whether you need to open your TFSA, make your 2014 contribution or switch to a new TFSA strategy, please contact us for assistance.

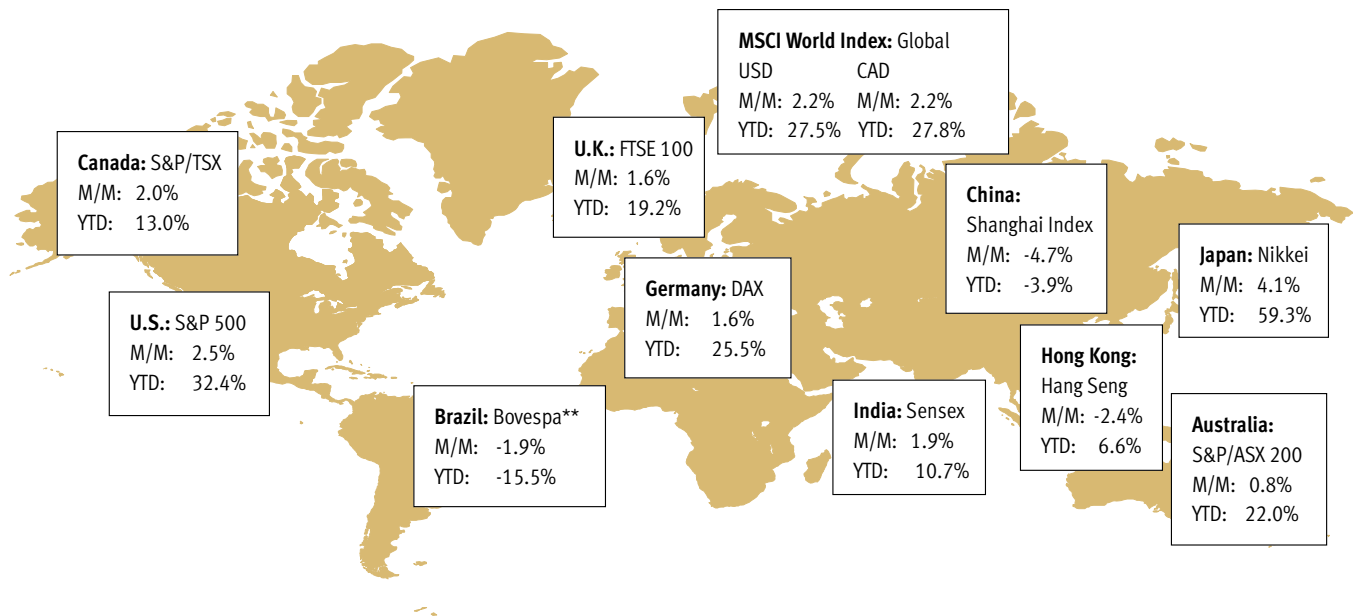
Tax-free compound growth



This chart shows how \$5,000 contributed annually and earning 6% interest per year would grow inside of a TFSA compared to a taxable investment account.

Assumes tax rate of 32% outside TFSA, with interest income taxed annually. All contributions made at beginning of year. Annual compound rate of return of 6%. For illustration only and not indicative of future returns. Excludes fees and commissions. Actual tax rates and rates of return will vary.

World Markets December 2013



All returns are on a total return basis unless otherwise noted.
All returns calculated in local currency except for MSCI World
** These indices are calculated on a price return basis
Source: Bloomberg

Personal Income Tax to Change for BC Residents

Please be reminded that a new temporary top personal income tax bracket is going to be introduced for the 2014 and 2015 taxation years. The Minister indicated that a sunset clause will be embedded in the legislation to ensure this rate will only apply for two years. The income threshold for the new top bracket will be set at \$150,000 in 2014. Taxable income in excess of this threshold will be subject to a provincial income tax rate of 16.8%. This change will increase the rate of tax by 2.1%. Thus the combined federal and B.C. top marginal tax rate will be 45.8% (up from 43.7%).

Combined Federal / Provincial Top Marginal Rates

	2012 and 2013	2014 and 2015
Interest and Regular Income	43.7%	45.8%
Capital Gains	21.9%	22.9%
Eligible Dividends	25.8%	28.7%
Non-eligible Dividends	33.7%	36.3%

Ways You Can Use Your TFSA

- Help a child or grandchild fund their education above and beyond their Registered Education Savings Plan (RESP) and/or family trust.
- Shelter some of your taxable capital gains, dividends and interest currently being earned in a regular taxable account.
- Expand your retirement savings beyond your RRSP.
- Earn tax-free income on surplus RRIF payments you don't need immediately.
- Take advantage of family income splitting to reduce your overall tax bill by gifting amounts from your bank account (the income from which is exposed to your higher tax rate) to your lower-income spouse or adult children to contribute to their own TFSAs.
- In provinces and territories where it is permitted, consider a beneficiary on your TFSA to receive the balance in the account at death tax free.

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"Our books are balanced. 50% of our numbers are real and 50% are made up."

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