



**RBC  
Dominion  
Securities**

# THE Stanton

## REPORT

Views & Opinions For The Clients & Friends  
Of Investment Advisor  
Richard Stanton  
RBC Dominion Securities Inc.

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### *A Word from Richard*

I hope everyone enjoyed their summer although this year it didn't really feel like summer did it? Laura and I celebrated our lucky 13<sup>th</sup> anniversary in July and decided to celebrate with a train trip to Prince Rupert with the kids. We spent the weekend there then caught the six-hour train home. We all really enjoyed it. If you've never done it I highly recommend it. Just sit back, relax and watch the scenery go by.

We hosted our first ever RBC DS Client Appreciation Golf Tournament. It was well attended and I suspect everyone had a good time. I would like to thank my Associate, Shauna, for all her work getting the tournament organized. Hopefully this is an event we can all enjoy again.

We tried house boating in the Shuswap this year. It was an experience to say the least. We had a couple of minor mishaps but overall the trip was great and we spent lots of good quality time with my sister and her family, which we all enjoyed.

Our kids have settled back into the school schedule. Olivia is busy this year with piano, gymnastics and karate. Jenelle is happy with her dancing and performing for anybody who will watch her!

At the time of this writing we are experiencing the first snowfall of the season, much too early I might add, another reminder summer was way too short. But the kids are excited to see the snow so if you see it through their eyes I guess it's not so bad. We are looking forward to spending Christmas at home with our family and friends and we wish all of you the very best of the season.

#### *Looking back on the third quarter of 2007 here are few of the highlights:*

- The **Canadian dollar** rose to its highest level since 1977, closing at \$1.0077 USD on September 28.
- Canada's **unemployment rate** remained at a 33-year low of 6% from August.
- **Tim Horton's** coffee will be placed in numerous Wal-Mart Superstores in Alberta and Ontario.
- **Alcan** accepted Rio Tinto's friendly bid of \$38.1 billion, the largest ever acquisition in the mining industry.
- **Research in Motion's** market value exceeded Motorola Inc for the first time due to growing global demand for Blackberry devices.



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If you know anyone who would like to receive a copy of this newsletter or be added to our mailing list, please contact **Shauna Peterson** at (250) 847-6680. Please contact Shauna Peterson if you would like secure internet access to your accounts. Use our toll free number 1-888-834-3311 from anywhere in North America.

- The **Chinese economy** expanded 11.9% from a year earlier in the second quarter, the fastest pace in 12 years, while inflation rose 4.4% in June, further highlighting the need to cool the economy.
- The **U.S. Federal Reserve** cut both the Fed fund rate and the discount rate by 50 basis points during September as a way of providing some calm and liquidity to the debt markets.
- The **U.S. housing** slump continued – new home sales fell 8.3% in August (month-over-month) to their lowest level in seven years, coupled with a 7.5% drop in the median sales price (\$225,700) it was the biggest drop in 37 years.
- **Oil** passed the \$80 a barrel mark for the first time, closing at a record \$83.90 on September 20.
- After **wheat** prices rose 78% in 2007, global farmers prepare to grow the world's largest wheat crop in 10 years.

My quarterly travel/meeting schedule appears on page 4. If you haven't booked a review and would like one, please call the office at 1.888.834.3311.

I am looking forward to meeting with you over the next quarter.

Thanks for reading,

**Richard**

# RBC Trust Services

RBC Dominion Securities provides a new service that may be of interest to you or your family members.

All too often we find some of our clients who have been appointed executors on an estate come to us for assistance in estate settlement issues and often at times, at a loss of where to start.

We appreciate the period following the death of a loved one can be a difficult time. It can also be challenging on a financial, legal and administrative level for an executor who is charged with this task. Settling an estate is a complicated undertaking and demands a great deal of time, energy and attention to detail.

I wanted to let you know that we have partnered with RBC Trust Services who offer a service especially tailored to assist executors in the settlement of an estate. RBC Trust Services is a premier trust company who has been helping Canadian families for over a century.

If you are interested in a brochure which will give you a sense of the principal duties involved in an estate administration, contact our office. We would be pleased to introduce you to one of our partners at RBC Trust Services who can offer you assistance with some or all of these duties, to the degree that you may require help.



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# THE PENSION INCOME TAX CREDIT

## How To Receive \$2,000 Tax Free . . . Or Not!

### WHAT IS THE PENSION CREDIT?

When a person receives income from sources such as a pension plan, an annuity or a RIF, that person may be eligible to claim a maximum tax credit of \$2,000. This tax credit reduces the person's total amount of tax payable in the year.

As pension income generates a credit instead of a deduction, the first \$2,000 of pension income is not necessarily received tax free. Only individuals in the lowest marginal tax bracket (taxable incomes below about \$32,000) receive the first \$2,000 of pension income tax free. People in higher tax brackets are taxed on the first \$2,000 of pension income at a reduced rate of tax. Calculations showing the tax costs for people at different tax rates are shown below.

### WHAT TYPE OF INCOME DOES NOT QUALIFY FOR THE CREDIT?

The following types of income DO NOT qualify as pension income for purposes of the pension tax credit:

- › amounts or supplements received from Old Age Security or any similar amount received from a province;
- › amounts received from the Canada, Quebec, or Saskatchewan Pension Plans;
- › amounts received from a salary deferral arrangement, an employee benefit plan, or an employee trust;
- › amounts received for death benefits;
- › amounts withdrawn from an RSP or from the deregistration of an RSP; and
- › amounts for which a deduction has already been taken under another section of the Income Tax Act.

### HOW MUCH TAX DOES THE CREDIT SAVE?

As discussed above, people earning income who are in the lowest marginal tax bracket pay no tax on the first \$2,000 of pension income. The table below shows the after tax amount retained on the first \$2,000 of pension income, the marginal tax rate on this pension income at various tax rates and how much tax is actually saved.

This table demonstrates that tax still has to be paid on the first \$2,000 of pension income unless the person is in the lowest tax bracket.

	LOW	MIDDLE	UPPER MIDDLE	HIGH
<b>Federal tax rate</b>	15.5%	22%	26%	29%
<b>Creditable Pension Income</b>	<b>\$2000</b>	<b>\$2000</b>	<b>\$2000</b>	<b>\$2000</b>
<b>Federal tax before credit</b>	\$310	\$440	\$520	\$580
<b>Pension tax credit</b>	\$310	\$310	\$310	\$310
<b>Net federal tax</b>	\$0	\$130	\$210	\$270
<b>Provincial tax (*)</b>	\$0	\$60	\$140	\$180
<b>Total taxes</b>	\$0	\$190	\$350	\$450
<b>NET AMOUNT RETAINED AFTER TAX</b>	<b>\$2,000</b>	<b>\$1810</b>	<b>\$1650</b>	<b>\$1550</b>
<b>Marginal tax rate on first \$2000 of creditable pension income</b>	0%	10%	18%	23%
<b>Approximate tax savings on \$2000 of creditable pension income</b>	\$480	\$480	\$480	\$480

(\*) Net of provincial pension tax credit

### SHOULD YOU STRUCTURE YOUR INVESTMENTS TO RECEIVE THIS CREDIT?

It is often suggested that people who are 65 or older convert some of their RSPs into a RIF before age 71 to receive this "tax free" income. The following factors should be considered before implementing this strategy:

The maximum amount of the annual tax savings is capped at \$480. As such, lower income people will receive the first \$2,000 of pension income tax free, while higher income people will save the same amount of money, but have to pay the incremental tax up to their marginal rate of tax.

Any pension income over \$2,000 received in the year will be taxed at the marginal tax rate of the person.

Any benefit that results from the reduction in taxes has to be compared to the cost of the tax-deferred income foregone as a result of the early receipt of RIF or annuity income. This means that the potential \$480 in annual tax savings from the use of the credit has to be compared to the value of the foregone future tax deferred income.

## OUT OF TOWN SCHEDULE:



**TERRACE/PRINCE RUPERT  
/NASS VALLEY  
DECEMBER 3 & 4**

**HOUSTON/ BURNS LAKE  
DECEMBER 14**

# FUN FACTS

## DID YOU KNOW...

- ✦ Mel Blanc, the voice of Bugs Bunny, was allergic to carrots?
- ✦ Alfred Hitchcock didn't have a belly button?
- ✦ All the platinum ever mined could fit into an average sized living room?
- ✦ More than 50% of the people in the world have never made or received a phone call?
- ✦ Tipping at a restaurant in Iceland is considered an insult?
- ✦ Peanuts are one of the ingredients in dynamite?
- ✦ 6% of men propose over the phone?
- ✦ There are no penguins in the North Pole?

## WELCOME AND THANK YOU.

*A warm welcome to the clients who have joined us since our last newsletter. Thank you to the people who recommended our services.*

## Jalapeno Guacamole

- |                                   |                               |
|-----------------------------------|-------------------------------|
| 2 ripe avocados, mashed           | ½ cup mayo (not Miracle Whip) |
| 1 tomato, diced                   | ½ large onion, diced          |
| 2 tsp lime juice                  | ½ tsp coriander               |
| 2-3 cloves garlic, crushed        | ½ tsp salt                    |
| 3 fresh jalapenos, finely chopped |                               |
- (the more seeds you include in the guacamole, the hotter it will be)*

Mix everything together and chill for a couple of hours before serving.



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