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Financial Checklist for 2012
A Short List of Essential Planning Tips and Reminders

By Kurt Rosentreter, CA, CFP, CLU, TEP, FCSI, CIMA, CIM, FMA

- Financial planning is all about trying to achieve your goals and dreams. It is always a good idea to write down these goals periodically, attach dollar values to them and include time lines. We'll help you with those last two parts – just send us a list of your lifelong financial goals right now. Everything we do for you is focused on your goals – but you need to be clear that we understand those goals correctly – even if they differ between spouses. As an objective third party expert, having us measure progress towards goals may be the most important thing we do for you. Think of it like a dashboard and steering wheel on the road to life.

- Reflect on your mortgage in two key ways: i) what is your debt free date? How many years until your mortgage (and all debt) is gone? If that age is going to fall after age 55, we should talk. Such a late debt-free date could pose challenges to other planning goals you have; ii) is your interest rate still floating? Interest rates are poised to rise over the next several years so consider your timing on locking in a fixed rate for five years. Some of the lowest rates in half a century may be coming to an end in the next few years. We offer mortgages through our practice so give us a call if you want to explore the best rates and least cost mortgages. Mortgages are available through referral.

- Invest low – the stock market was down almost 10% in 2011 and has still not recovered to the pre-2008 correction levels. Europe and the US will sort out their debt issues over the next few years. If your investing time horizon is five years or more, take advantage of the low prices to average in using an automated monthly savings plan towards your RRSP, RESP or Tax Free account. The time is right now to do this – call us today to set up a monthly transfer from your pay cheque for as little as $25.

- Most employer based disability insurance is terrible coverage – it could leave you without compensation after only two years of disability. A long term battle with a disease such as cancer could force you to deplete savings, sell your home and this could devastate your family financially. A private disability insurance policy is almost always the best way to go – you control it and the policy is designed for your income level and career. Want to go one step further? Think about a top up policy of critical illness insurance or long term care insurance to provide money to help fight serious diseases and even to provide home care in old age. Basic coverage is available for as little as $25 per month.

- Retired and fed up with low bond yields and GIC rates but not prepared to raise your risk tolerance much? We have diarized your 2012 maturities in accounts held with us and will be prepared to discuss these alternatives: corporate bond ETFs, real return bond funds, guaranteed withdrawal products, annuities with lifetime guarantees and GIC linked stock market notes. Best to ask for some reading on these products before we talk on your maturity dates. And if you are not prepared to raise your risk tolerance from low to medium, then stick with GICs for now - their rates continue to be better than government bonds and high quality corporate bonds. Just keep them short term (under 3 years) and wait out today's low rates.

- Make this the year to get your kids or grandchildren more educated about money and finances:
  * Increase monthly savings to RESPs to $208.33 per child to max-out the free 20% grant money. If you have reached the RESP limit already we can open an in-trust account for the kids and also save for weddings, car purchases and a home deposit.
  * We'd be happy to recommend books for young kids to read to learn about money management – just ask us!
  * We'll help to teach a 15 year old how their RESP works. Bring them to our meetings.
  * We can set up an in-trust-for account for a 10 year old, purchase a share of Apple or Royal Bank stock, a GIC or a balanced mutual fund and we'll start to teach them about investing.
  * File a tax return for a teenager who has a part time job – this will start to accumulate RRSP contribution room; make an 18 year old prepare their own tax return.
  * Send your 25 year old to us when they get their first permanent job and we'll explain pensions, health and dental coverage from their employer, life insurance and why they need a Power of Attorney.
  * Send your 30 year old to us when they are ready to buy a home and we'll teach them about mortgages, deposits, insurance and how big to buy.
  * Send your 35 year old to us when a baby is on the way and we'll show them all about RESPs, life insurance and getting their Wills prepared.

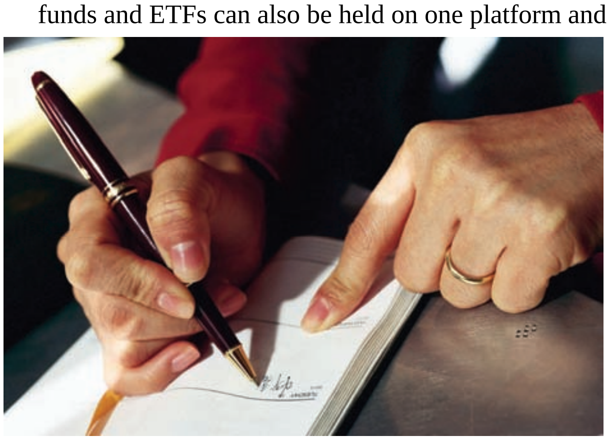
- Check to see if you have given us the latest copy of your Will and Powers of Attorney. We routinely act as neutral experts on estate matters to a grieving family – a hard but important role we want to play. But we need your key documents in our files now – and tell the family who we are and where we are, should they need to find us if an unfortunate event happens. Some key tips about Wills: name backup executors and guardians and think twice about making it the same people; don't mention funeral instructions and who gets your art and jewellery in your Will. Do mention what happens to RESPs and make special provisions for second marriages. Big ticket assets like cottages and businesses warrant special planning. Look at a family trust if your estate will be worth more than $1Million. Know the tax hit the estate faces when you pass on. Know what probate is and how joint ownership of assets can be good and bad. Hold an estate planning educational session for the whole family and let us teach it!

- With tax season just around the corner (April 2012), take advantage of any last minute tax breaks you can claim for 2011: RRSP contributions to February 29th are a huge tax writeoff. We can accept lump sums by cheque or by e-transfer. We can also help you to arrange short term loans to fund your RRSP contributions.

- Tax breaks for future savings in 2012: let us open Tax Free Savings Accounts (TFSA) to stop taxation on future investment income you earn; pay your investment fees with us as investment counsel fees instead of commissions and maximize tax deductibility of fees for non-registered savings; donate furniture or computer supplies to a charity and they will likely give you a valuable tax credit receipt for the value of the donation; let us show you how some Canadians benefit by moving assets to be taxed in the lower taxed spouse's hands.

- Housekeeping of paperwork – are old statements and receipts accumulating in boxes in your home? Assuming you have no pending tax issues, destroy tax returns more than ten years old. Investment statements for non-registered accounts where tax is paid annually on returns don't need to be kept at all if you are tracking your product cost bases separately. And investment statements on registered accounts which have no use at all for tax purposes, don't need to be kept ever.

- Simplify your finances and hold investments in fewer banks and brokers – today most GICs can be consolidated into one dealer and you won't lose your CDIC insurance coverage. For example, we offer GICs from 18 institutions. Stocks, bonds, mutual funds and ETFs can also be held on one platform and often larger investment accounts will trigger fee savings. For any investment account held elsewhere worth $100,000 or more that you transfer to us we will cover your transfer out fee up to $150. This will reduce paper in your mailbox and allow us to provide a more comprehensive plan over more of your assets – a single viewpoint on all your wealth results in better decision making and simplified planning.



- Set a date now for a thorough two hour planning session with us – a financial physical – a review of progress vs. goals. Send us your employer group savings plan and pension plan statements ahead of the meeting. Send us copies of your investment accounts held elsewhere. Send us a written summary of your goals. Send us your 2011 tax return and tax notice once you file the return. Send us your life insurance and disability policies purchased elsewhere. Let's lay it all out and revisit who you are financially – this information, along with what we already have, is your financial plan. Let's spend a few hours sometime in 2012 making sure your financial plan is in top shape. Let us be the ones that you share all of your data with – let us be the master plan builder alongside you so we can ensure our advice is properly reflective of your entire picture. Pick a date for this meeting and let's book it.

- For your investment portfolio, with the market being down in 2011 your asset allocation has changed. We need to rebalance back. With the market down generally over the last few years, perhaps your attitude towards investing has also changed and we need to review that as well. Let's review the fees you pay. And is there more we can do to reduce investment taxes? We are always reviewing performance of the products you hold but let's do an update together – our goal is to ensure that the products you hold, whatever they are, beat their peers and beat a passive index. Most importantly, let's discuss investment psychology. How do your feelings help or hinder successful investing? What are your expectations for investing? What should you be doing in bad market years? (And the answer differs between a working person and someone retired). How does your employer group savings plan fit into our plan? How does your company stock or stock options or your real estate holdings fit in your investment plan with us?

- For many Canadians, the price of their home has doubled in the last decade. At a time like this, where many feel the market is peaking for the short term future, the start of 2012 seems like a good time to reflect on your real estate – if this is the top of the market, should you be selling now if you are retired and considering downsizing? If this is the top of the market, is this the best time to be doing a major addition? Is now the time to buy the cottage or a rental property in Canada? With real estate often being the largest purchase for Canadians in their lifetime, these are points worth thinking about at least. Long term Canadian real estate has a bright future in my opinion. And making drastic moves may trigger far too much in legal fees, land transfer tax, real estate commissions and more to make the move even worth it in the first place. It is interesting that while much of the world's real estate market is up in flames at the moment (think US), ours has just kept climbing and climbing and climbing.

- Canadians living off investment income (mostly retirees) may have to pay quarterly tax installments in 2012 with the first payment due March 15th. Make sure your tax installments are accurate or they can lead to huge overpayments that show up as refunds on your tax return – getting a refund means bad tax planning as you gave the government a zero interest loan of your money for months. Underpaying your tax installments can lead to arrears interest and penalties. Work with us or your accountant to set precise installment amounts yearly and have the tax automatically remitted by some sources that pay you income.

- Own a small business or have you incorporated a professional practice? You have your own set of planning issues – you need two Wills as part of your estate plan, you may want to put a family trust in place to split income with kids, examine whether it is better to pay yourself dividends than a salary to trigger lower taxes, at least look at making your spouse a shareholder of your corporation for tax gains, examine tax deductions that are better suited as company write offs, consider holding your life insurance inside the corporation and more.

- Affluent investors with a million or more outside of their registered savings may want to explore holding their portfolio inside a corporate structure or a trust. This is a multi-level evaluation that must consider legal, tax and practical planning issues: you may be able to avoid probate cost on death but you may end up paying more annual income tax now. You may get better protection of the assets against a lawsuit or untrustworthy children by holding the assets in a structure, but you are complicating your life today. Lots of good planning details to think about. But potentially a huge financial win for the right situation.

There we go – a few planning points to get the year started.

As always, we stand ready to assist you with your finances in any way. We don't view ourselves as just product people or money managers or investment advisors – we are your family CFO (Chief Financial Officer), able and willing to assist in the creation of an overall financial plan that touches all areas of your finances: retirement, real estate, investing, taxes, estate, insurance, career finances, children's savings, debt and more. We build overall comprehensive financial plans that match your goals and ideally lead to the best decisions for you through consideration of everything from the point of view of one master plan – better decisions, time savings and cost savings.

Call or email us today to set some tentative dates and times for our 2012 meetings with you.

Warm regards,

Kurt

The Wealth Management Practice of Kurt Rosentreter
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