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MUTUAL FUND DEALER

# Now is the Time for Discipline!

It's time to put away the patio chairs, cover up the BBQ and break out your shovels because the fall is now upon us and the end of the year will soon be here.

Now that our children and grandchildren have gone back to school and our daily routines are in place, this is the perfect opportunity to align your financial interests by ensuring that your tax and estate plans are up to date as well as efficient as possible. Not to mention that you also need to make sure that you take advantage of the government programs that may be available to you.

With that in mind here are some year-end tips for your consideration:

**Consider selling investments that are underwater -** This title refers to tax loss selling, a tax strategy that allows you the opportunity to reduce taxes payable on capital gains both in the current year as well as gains realized over the previous three taxation years. In addition to being allowed to carry capital losses back three years (Note this can be accomplished by filing CRA Form T1A,) losses may also be carried forward indefinitely. December 31, 2012 marks the last opportunity for investors to reduce capital gains realized in 2009.

**Tax-Free Savings Accounts -** If you have set up a TFSA and you are planning a withdrawal, consider doing so before year-end rather than early 2013, as amounts withdrawn are not added to your contribution room until the beginning of the following year after the withdrawal. You should also think about how much you might want to contribute in the New Year. If you haven't contributed before, you can contribute at least (as the current annual contribution amount of $5,000 will likely increase to $5,500 in 2013) $25,000 in January 2013.

**Think about your RSP contributions** - There's no particular December 31 deadline around your RSP, but thinking ahead could boost your fiscal outlook. If you really want to get out ahead of this, you should be making your 2013 contributions in January, not your 2012 contributions by the end of February like everybody else. You've got a whole 14-month head start. It's a move that requires some fiscal discipline (such as cutting back on ancillary expenses) but it could pay off. Also if your spouse is under age 71 you may contribute to a spousal RRSP up until the calendar year end that your spouse celebrates his/her 71st birthday provided you have earned income in the previous year.

**Save for your children's education -** While Canadians pay their share of taxes our government has introduced programs to help us save A Registered Education Savings Program (RESP) is eligible to receive a maximum of $7,200 in government grants per beneficiary. If you did not contribute to an RESP last year then December 31 is the last day to contribute to it and receive the Canada Education Savings Grant (CESG) for 2011. Note that in this case a contribution of $5,000/beneficiary would have to be made by Dec 31 in order to receive the government maximum CESG of 20%.

**Create pension income and realize a tax credit -** If you are over age 65 you can claim a tax credit on the first $2,000 of pension income from a company pension plan or from your RIF or RSP. One strategy you may want to consider entails transferring enough from your RRSP (about $50,000) to a RIF in order to create a RIF minimum payment of $2,000.
While the end of the year is a good time to ensure that you take advantage of the programs, tax credits and deductions that the Canadian government makes available, it is also an excellent time to reflect on our legacies.

Some activities that you may also want to undertake are:

**Review your will and make sure it works for you and your estate**
Many Canadians do not have an estate plan and if they do the chances that they have discussed it with their heirs are slim. Reviewing your estate planning documents (your will and powers of attorney) should ideally be done at least every three years and if there has been a material change in your circumstances, such as to your finances, health, marriage, intention, legacies or province of residence these documents should be updated.

**Review your risk management plan**
Risk management is more than just asset allocation and the volatility surrounding investment products, as it also involves ensuring that you are protected should unforeseen events such as illness, disability, early death and even the chance that you outlive your savings occur. While many of us continue to think that such events will not happen to us, disability insurance is arguably even more important, because it's statistically more likely that you will get injured than die while you are working.

While many of these strategies do not sound fun, it is now, and not in March of 2013, that we should be disciplined and engage in the opportunities that are available to us, in order to ensure that we enjoy the holiday festivities that are soon to come.

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