Milestone Elements

FIRST QUARTER 2012 NEWSLETTER

Branch Manager News

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In our Elements Newsletter we like to communicate to our clients what is going on at Milestone and to report on items we have been working on.

First off, we must give a nod to Alberta Venture Magazine wherein the month of February they profiled Milestone on the cover along with other Alberta money managers. Entitled Words from the Wise, it seeks to tap "Alberta's sharpest financial minds" to pick themes and investments that show promise for 2012. Although we squirmed with being asked to recommend just one stock for the year it was a good opportunity to meet others from the business and share our ideas. We look to post the article up to our websites once the digital rights to it are made available to us.

Secondly, although it has not been well publicized, Alberta's new Wills and Succession Act (WSA) has now come in to force as of February 1st 2012. There has been some consternation over jurisdictional overlapping of rules and the general need to bring Alberta's code up to speed with the modern world in which we live.

Our review suggests that these changes do affect a number of scenarios that our clients could be exposed to. As such, the changes may affect our client's estate planning desires in a material way. Notable examples of this are changes in matrimonial property claims upon the passing of a spouse and whether lifetime gifts to beneficiaries are considered to be advances when interpreting gifts outlined in the will.

As Certified Financial Planners we position ourselves to stay abreast of these changes and identify with our clients who may perhaps be affected by these new provisions. As things progress we will aim to be in touch with the majority of our clients to make sure they are aware of these changes and determine whether they may wish to have their estate planning documents professionally reviewed.

On a more social side our staff enjoyed a great team building weekend together at Kicking Horse resort in January. It was great to spend some time outside the office walls as a team. We embarked on downhill & cross-country skiing, spa trips, games and a fantastic home cooked fondue care of some great cooks we have here. We plan to do more of these great team events for our staff in the future.

Tax season will be upon us soon and you are welcome to contact us with any help you may require in connecting the dots. Until then we hope the New Year for you is off to a healthy and vibrant start.

Tax-Effective Charitable Giving

When you decide to support a charitable cause, how you give is just as important as what you give. There are ways to make your donations go further – benefiting both you and the charity. Keep in mind that tax laws vary by province, so please speak with us before implementing any of the strategies discussed in this article.

Donate securities

Donating mutual fund units, stocks and bonds, instead of cash, eliminates any capital gains taxes due on the donated investment and you still get a tax receipt for the current fair market value. So, if you donate a stock that appreciated in value from $5,000 to $10,000, the charity gets a donation worth $10,000 and you get a tax receipt for $10,000. You don't have to pay any tax on the $5,000 capital gain – and neither does the charity.

Donating flow-through shares can be even more tax-effective. Flow-through shares are deemed to have an adjusted cost base of $0, which means the entire value of the shares you own is considered to be a capital gain. Donating flow-through shares worth $10,000 means you don't have to pay any tax on the $10,000 capital gain, and you'll get a tax receipt for $10,000. Keep in mind, however, that not all charities will accept donations of flow-through shares.

Donate life insurance

There are several ways to donate life insurance to a charity. You can donate an existing, paid-up policy by naming the charity as owner and beneficiary. If a policy is not yet paid-up, you can still name the charity as owner and beneficiary, and continue to pay the premiums, which are considered additional donations. Either way, you will also receive a tax receipt for the assessed value of the policy. Alternatively, you can establish a new policy and name the charity as owner and beneficiary.

Make a bequest in your will

Many people choose to name a charity as a beneficiary in their will. It's important to carefully consider which assets make the most sense to donate – and generally that means investment assets with the highest capital gains. So, donate flow-through shares, followed by other investments that have appreciated significantly in value – and donate non-registered assets before dipping into registered assets, unless you cannot pass registered assets (tax-deferred) to a spouse or dependent child.

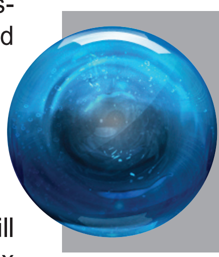
Keep in mind that donating the proceeds of a life insurance policy in your will means your estate will receive a tax receipt for the policy's value – and this can go a long way towards offsetting taxes due on other assets.

Complete Canaccord Philanthropic Solutions for you

Complete Canaccord Philanthropic Solutions is a fully customized giving program that can provide you with immediate tax savings, control over your donations and a lasting legacy within the structure of a Donor Advised Fund. This strategy provides all the financial advantages and personal satisfaction associated with establishing your own charitable foundation, with significantly less cost and complexity. Up to 10% of your initial donation and at least 3.5% of your Donor Advised Fund annually support your choice of charity or a charity portfolio. Most of your investment remains intact and continues to grow to fund your long-term legacy.

Contact us for more information about any of these strategies. We can help you create a charitable giving plan that takes advantage of opportunities to save taxes and meets your philanthropic goals.

Note: For individuals, the maximum amount of charitable donations that may be claimed for credit in any one year is 75% of net income (100% in the year of passing and the year immediately before). Unused donations can be carried forward (but not backwards) for up to five years beyond the year of the donation, subject to the 75% limit in each year claimed.



Don't miss out on Tax-Free Growth

Tax-Free Savings Accounts (TFSAs) are a valuable addition to any financial plan because they provide a place where your annual $5,000 contribution can grow tax-free indefinitely. If you haven't opened a TFSA yet, you have $20,000 of accumulated contribution room available as of January 1, 2012.

The basics

- TFSAs are available to any Canadian resident age 18 or older.
- You can contribute up to $5,000 every year (indexed to inflation and rounded to the nearest $500).
- You can carry forward unused contribution room to future years.
- Your contributions are not tax-deductible.
- All growth on your investments is tax-free.
- All withdrawals are tax-free.
- You can recontribute withdrawn amounts, but only in the next calendar year — so make sure the transaction counts as a "transfer" not a "withdrawal" when you consolidate TFSA accounts.
- You can invest in many different types of investments inside a TFSA, including stocks, bonds, mutual funds and Guaranteed Investment Certificates (GICs).

A tax-saving TFSA strategy

If you have a Registered Retirement Income Fund (RRIF), the minimum annual withdrawal amounts may give you more income than you need. If that's the case, you can deposit this money, up to your contribution limit, directly into a TFSA.

You will still have to pay tax on the RRIF withdrawals as usual, but any future income generated inside the TFSA will never be taxed, and when you decide to use the money you will never have to count TFSA withdrawals as income.

That means neither future income nor withdrawals will ever affect your eligibility for federal income-tested benefits and credits, including Old Age Security and the Guaranteed Income Supplement. Plus you can generally transfer the money inside your TFSA to your spouse without any tax consequences after death.

Talk to us about other strategies we can implement to minimize taxes and maximize your wealth.

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