



THE Tax Tipper

February 2008

We take your taxes personally!

Volume 10

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Editor

Neel Roberts
PTC Canada
Box 1347
Vulcan, Alberta
T0L 2B0

Phone 866-485-2683
Fax 866-485-2761

Neel_Roberts@ptccanada.com
<http://ptccanada.com>

Dear Clients and Friends,

I trust you all had a wonderful 2007 and a good start to 2008. I've been steadily busy since the first week of the New Year, so it looks like another record year in the making. If this is your first **Tax Tipper**, remember you can download [previous editions](#) from our website. My goal is to provide better service than ever by bringing you experts in their fields, cutting-edge information, and a variety of resources that will not only make taxes more palatable but will also lower your legal obligation to pay.

Thank you for all your feedback in 2007 and since 2006, when I launched the **Tax Tipper**. It has been very positive. Whether you used the information to your advantage, enjoyed the trivia/pictures/stories, took time to participate in our Q & A's, or tried one of the recipes, I'm confident the newsletter has something for everybody. This is my 11th year in business, and it's hard to fathom how technology has changed so many things. In 1998, the internet was barely up and many were not computer savvy, which made service much more cumbersome. Today, over 90% of clients are online and 65% of services are completed through email, fax, phone, or courier without any appointments. For those who have been with me since the beginning, I'm sure you appreciate that some of the features now available to clients are for the better.

Also, what a compliment if you've been with me that long! I appreciate your loyalty. Thanks to all returning clients, and a warm welcome to those just on board. Today, my database is past 1,000 all over the world, compared to the 29 in Calgary I started with in 1998. I recently met a few friends from before I started the business, and they asked me if I had any regrets. "Of course," I said. "I should have started earlier!" As always, I take my hat off to you for making this such a rewarding adventure, and I look forward to serving you again!

Neel Roberts
President and Editor

What's Happening?



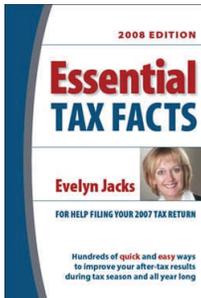
Take the Tax Test

How tax smart are you? Last fall, [Mackenzie Financial](#) published an article showing the results of a test in which 1,536 Canadians were asked simple questions about RRSP rules, child care, donations, and so on. Believe it or not, the average Canadian was only able to answer 3 out of 10 questions correctly! Now, I thought my business was doing well because of my good looks (yeah, right!), but it seems my newsletters, etc. serve a bigger purpose than I thought. Take the [test](#) yourself and email me your results!



RRSP Deadline Approaching

This year's RRSP deadline is Saturday, March 1, 2008, if you wish to use the deduction in your 2007 taxes. I suggest you confirm your actual RRSP contribution limit by calling 1-800-267-3100, or use your [Epass](#) and check your account online. You can also visit the [RRSP site](#) for further information.



Evelyn Jacks' Book for 2007 Tax Returns is Out

If you're wondering how to spend \$20, the best way is by getting Evelyn Jacks' annual [Essential Tax Facts](#), available mid-January each year. Believe me, it's worth it. One of the functions of her company, [Knowledge Bureau](#), is to train tax preparers like me, so if you have liked my service over the years, she gets quite a bit of the credit. Some highlights of her latest book are:

- Complete overview of changes from the federal budgets of March 19, 2007, and October 30, 2007
- New brackets, tax rates, and personal amounts for every taxpayer, plus new clawback zones
- New Pension Income Splitting for Retirees
- New Children's Fitness Credit
- New \$2000 Minor Child Credits, enhanced disability, and refundable credits
- New Registered Disability Savings Plan
- Enhanced \$1000 Canada Employment Credit For Work-Related Expenses
- New Working Income Tax Benefit
- New RRSP contribution maximums and extended contribution age
- Improved Tax Credit For Public Transit Passes
- Tax breaks for investors, including investors in small businesses
- Tax-free capital gains on donation of shares to private foundations
- Planning for family use of the new \$750,000 capital gains deduction
- Planning tax advantages for post-secondary students

Put her to work for you. Knowledge Bureau is a great company with so much to offer. If you can believe it, this is Evelyn's 40th book!



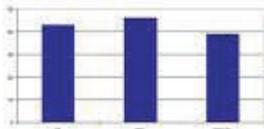
E-File Ready for 2007 Personal Returns

It's official. E-File starts first thing Monday, February 11, 2008, for all 2007 personal returns. Most refunds come in 1-2 weeks, and I suggest you get direct deposit. When you file your return, simply take your banking information or a blank cheque and you can have your refund, GST Credit, and Child Tax Benefits all done. If you forget, simply file the [Direct Deposit form](#) with CRA and they should be able to start in 1-2 months. Corporations can E-File all year round up to 4 years back and can do direct deposit via the [Corporate Direct Deposit form](#).



CRA Clamping Down on Late Filers and Tax Cheaters

Last month, the CRA announced stronger action to catch up with late filers, tax cheaters, and delinquent accounts. In a [press release January 8, 2008](#), they announced last year's results, which included 800,000 returns from taxpayers who had not filed their returns, non-compliance of about \$12.7 billion from 393,000 audit/review actions, and recovery of \$9.7 billion through collections activities. Needless to say, this is impressive work for these investigative teams and justice for the honest people who comply!



Pension Income Splitting Election

As many of you may already know, you can elect to split pension income with your spouse or common law partner as of 2007. However, both of you must have [form T1032—Joint Election to Split Pension Income](#) on file so that the election is not disallowed and you don't lose the tax advantages that go with it. Your tax professional will help you with the specifics on the savings you can reap using this strategy!



Have Your Say on the 2008 Budget

Each year, the federal government invites [your input](#) for the upcoming budget. I certainly recommend you participate, as your vote does make a difference. You can also see slide presentations as to where your dollars went in past budgets from your input!



CRA “Making a Difference” Announcement

Last month, CRA announced their [Making a Difference campaign](#), which summarizes the services they deliver to Canadians and how they have protected the tax base. Minister of National Revenue Gordon O’Connor says, “The CRA issued more than 85 million benefit payments in 2006-2007. That’s an astounding number. The CRA touches the lives of each and every Canadian by administering a vast number of benefit programs on behalf of federal, provincial, and territorial governments. We are making a difference in the daily lives of Canadians.”



2008 Tax Service Schedule Filling Up!

Friends, waiting until the last minute to get your taxes done is never a good idea, especially if you need them assessed soon. Once you’re ready to file your 2007 return, make arrangements TODAY rather than on April 30th. Unfortunately, most pros like me are jammed to the rafters with appointments, and you may have to wait weeks before getting in. Take advantage of our email, fax, phone, or mail service. The days of office locations and 9-5 hours are becoming a thing of the past, and regrettably businesses stuck in yesterday’s methods will get left there. Most clients are demanding more options, and—no surprise—appointments are becoming a thing of the past too!

Top Ten Last Minute Valentine's Day Gifts

Courtesy of www.about.com



We at the **Tax Tipper** like to feature the **Top Ten**. We are all used to the top ten on the radio music scene. Our **Top Ten** is designed to help our clients while keeping things interesting. Valentine's Day is around the corner, and in case you haven't done your shopping, here are some tips to ensure a smooth experience. I hope you find them useful!

1. [Romantic CD](#)—Find one with your special song.
2. [Romantic Movie](#)—A romantic movie is good for cuddling and snuggling.
3. [Candles](#)—Set a romantic mood with candlelight.
4. [Massage Oils](#)—Who can resist a massage?
5. [Fragrance](#)—Pick a fragrance that matches your lover's personality and style.
6. [Chocolate](#)—Even the word *chocolate* creates an aura of romance.
7. [Book of Romantic Poetry](#)—Make time each day to read a poem to one another.
8. [Jewellery](#)—It doesn't have to be expensive, but it should speak a message of love.
9. [Wine](#)—Plan a romantic evening with wine and candles.
10. [Flowers](#)—When in doubt, send flowers or a blooming plant like an orchid.

[Send us your interesting Top 10 list.](#)

Our readers respond!

Thanks, Neel. I appreciate your insight and look forward to a long, fruitful relationship!
Sanj Syal, Financial Analyst
Alta West Mortgage Capital Corporation
Calgary, Alberta



We welcome your comments on the Tax Tipper!

[Send us an email.](#)

Investments and Taxes

Last time in the **Eye of the Expert**, we featured Norm Friend, franchise consultant from Franchise 101 Incorporated in Vancouver. This time, I am delighted to present someone I have recently gotten to know. Derek Foster is known as Canada's youngest retiree. Derek made headlines last year with his book *The Lazy Investor*, which has become a bestseller.

All of us have had to ask a professional for help. Why? Because professionals understand some things much better than we do. I know this as well as anyone, because I rely on experts to help me get my job (and other things) done so that I can give you the service you deserve. **Eye of the Expert** features professionals to help you get the most on a particular subject. While it is sometimes tax-related, it will be more focused outside the realm of taxes, because that's what these experts are good at.

Derek is frequently asked two questions: How can you reach financial freedom by starting with just \$50? How can you invest when you don't know anything about investing? That's why Derek shared his secrets on how he quit working at age 34 with no plan to return to the workforce. In summary he says,

"Investing to become financially free is so easy that my six-year-old son does it. The only reason more people don't do it is that they don't teach these simple lessons in school (or anywhere else)!"

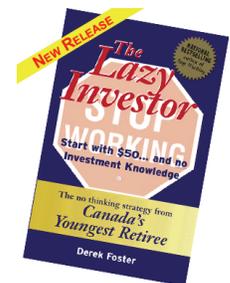
When I read *The Lazy Investor* last month, I found Derek's recommendations well within the resources of most people. In fact, most people know what to do. The only thing they lack is getting themselves to do it!

As a tax consultant, I was able to relate to some of Derek's recommendations. Many of us receive windfalls such as tax refunds, GST credits, Child Tax Benefits, and other tax-free bonuses. One of the things Derek did at an early age was to put these into a savings account rather than spend them on a vacation. When I spoke to him last year, he emphasized that there are many ways to earn income, but dividends are by far the most tax efficient. Using this strategy along with many others, he was able to grow his portfolio without lifting a finger.

Both Derek and I write for [Canadian Money Saver Magazine](#). I am delighted to rerun the article many saw in last year's newspaper, which tells much about him and his book!

Want to Quit Working Early? Meet Canada's Youngest Retiree!

Learn how Derek Foster invested his way into a very early retirement



Derek Foster has become a successful one-man investment company—so successful he was able to retire at 34 and never look back. Foster says if he can do it, so can you. And to help others attain financial freedom, Canada's youngest retiree, who's the author of *Stop Working: Here's How You Can*, put pen to paper again to publish a new book.

It's called *The Lazy Investor*, and it's an easy read of 182 pages that shows how anyone can start out with

\$50 and no investment knowledge, and by investing regularly, build up a big enough nest egg to tell the boss to stuff it.

"I had already reached my goal," Foster explained in an interview. "So, I wanted a strategy that any of my kids, and others, could follow." Foster, who lived in Wasaga Beach, Ontario, when he retired, now lives in Ottawa with his wife and four children, aged 7, 5, 2, and three months. Now 37, he has no plans to ever return to the workforce. Nor does he fear he'll outlive his money.

Continued on page 7

Eye of the Expert, cont'd

In his new book, Foster explains how he started out at age 20, socking \$200 a month and any extra money he had, like a GST credit or tax refund, into blue chip companies. “Normally, I like to buy and hold,” he said, “but when the fundamentals change, I’ll sell.”

His portfolio always includes 20 companies.

“I’m relying on 20 different companies to pay for my retirement. Isn’t that less risky than working for one company?” he asks.

Start small and build

The bottom line is, he’s managed to live off returns, and not touch the principal, which he estimates has grown by about 20% since he retired, or 6% a year—well ahead of the average pay increase for working stiffs of 2% to 3%. In his book, he suggests starting off with an investment in one solid company, then

expanding the portfolio to include five. His top picks are Bank of Nova Scotia, Enbridge, Imperial Oil, Fortis, and Riocan.

He attributes successful investing to DRiPs (Dividend Re-Investment Plans), where returns are rolled over automatically. “These companies give you a raise every single year,” he said.

Investors can get started with a discount brokerage, but Foster suggests avoiding paying brokers’ fees by buying online at the DRiP Investing Resource Center (www.dripinvesting.org). Derrick’s book is available at Chapters and Indigo or order online at www.stopworking.ca for \$19.95.

Courtesy of Linda Leatherdale
Sun Media, Tuesday, October 16, 2007

Testimonials

“For Mr. Foster, 36, investing isn’t about going for the quick score by gambling on a hot stock or sector.”

Globe and Mail

“He’s (Derek Foster) playing his very own game, which he’s winning...”

National Post

“And he did it by turning the whole concept of what it means to save for retirement on its head.”

Moneysense (magazine)

“While Warren Buffett is known as the oracle of Omaha, investment whiz Derek Foster could be labelled the Wise Man of Wasaga Beach.”

Toronto Sun

Derek welcomes your comments and can be contacted at 888-686-7867

info@stopworking.ca

www.stopworking.ca

Just Asking? ... Just Answering!

Real People with Real Questions About Real Situations



Reducing the Annual Tax Bill

Dear Neel,

I make over \$120,000 per year as a distribution manager and am getting married next year. My return is not complicated and I do some RRSPs, but I pay as much as \$8,000 extra each year and my accountant can't do anything more for me. He suggested having more tax taken off at source and getting a financial planner. I am open to anything, as I need to somehow stop the bleeding!

Ken S.

Dear Ken,

Ouch, that's quite a bit to swallow each year. I agree with your accountant on both points. Our handout [10 Ways to Cut Your Tax Bill](#) will give you a few more tips, but also check out Derek Foster's book [The Lazy Investor](#), which explains tax-friendly investments such as dividends. Your financial planner should have a list of mutual funds that offer this product. Also, if your employer is not taking more off, CRA will usually put you on an installment plan to reduce such a high balance owing. I trust this will help!



Gains and Losses in an RRSP

Dear Neel,

I've had an RRSP for many years now and recently took a large loss with the stock market meltdown, especially in the trust funds. Is there any way I can write off some of those losses on my taxes? I realize gains are tax-free, but I wonder if there is some loophole on the way down?

Will E.

Dear Will,

Unfortunately, whatever is in the RRSP will be treated using all the rules of the RRSP until it is deemed or cashed. You can check out CRA's [RRSP webpage](#), but to answer your question, there is no tax relief for a [qualified investment](#) within the RRSP that loses money. For other investment strategies that do meet the criteria for tax relief, check out our [Investment Tax Booklet](#). Hope this clarifies things!



Investments Outside Canada

Dear Neel,

I buy and sell stocks in the U.S. and am wondering how I report this, as I had a slight profit. Am I going to get double taxed? I appreciate any help!

Kelly C.

Dear Kelly,

Great question, and one that I'm sure many readers wonder about. Canada has several [tax treaties](#) that try to prevent exactly what you're talking about. I am glad to report that with the U.S., you simply have to fill out a non-resident U.S. return and whatever taxes you paid there will be credited on your Canadian return, which more or less eliminates double taxing. Elsewhere in your letter, you mentioned you had other overseas investments. I am by no means an expert on this, and you should consult a specialist with overseas tax experience. Unfortunately, the Government of Canada does not have agreements with every country, and you may in fact be double taxed in some cases. You can always contact the [international tax office](#) at 1-800-267-5177. Good luck!

Are You Just Asking tax questions?

[Neel can Just Answer them.](#)



Just the Facts, Ma'am (or is it Man?)



Did you know that?

1. It takes 15 minutes for your stomach to tell your brain that it's full.
2. You can't kill yourself by holding your breath.
3. In the United States, over one billion Valentine's Day cards are sent each year.
4. Valentine's Day is celebrated in the United States, Canada, Mexico, United Kingdom, France, and Australia.
5. Parents get one out of every five valentines.
6. Women buy 85% of all valentines.
7. The first written valentine is credited to Charles, the Duke of Orleans, who wrote love poems to his wife while he was in prison in 1415.
8. The lungs of an average adult, unfolded and flattened out, would cover an area the size of a tennis court.
9. Fish can be susceptible to seasickness.
10. The sun produces more energy every minute than all the energy used on earth in a whole year.

Got an interesting fact? [Email it to us!](#)

ComParrot by Bonnie J. Malcolm *Can you spot 12 differences between these pictures?*

Solution: 1. Opening appears on back of boy's cap. 2. Dog's collar is missing. 3. Stripe on boy's shirt sleeve is missing. 4. Extra writing on envelope on floor. 5. Leg on table is colored in. 6. Flower in bouquet is colored in. 7. Heart on card is colored in. 8. Pocket on shirt has moved. 9. Mirror frame is taller. 10. Curtain is shorter. 11. Top of table is wider. 12. Ribbon on heart is longer.

CRA Warns About RRSP Withdrawal Schemes

By Evelyn Jacks



The Canada Revenue Agency is warning about an increasing number of questionable Registered Retirement Savings Plan (RRSP) and Registered Retirement Income Fund (RRIF) tax-free withdrawal schemes being promoted over the internet, newspaper advertisements, and promotional meetings, all of which will result in expensive reassessment, penalties, and interest.

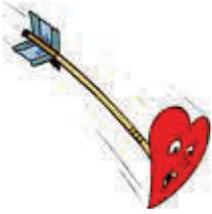
Many Canadians have lost their entire retirement savings to unscrupulous promoters from participating in these arrangements. In some cases the promoter has walked away with all the funds and cannot be found.

The CRA has recently reassessed over 3,100 taxpayers who participated in schemes, which resulted in additional taxable income of approximately \$144 million. Another 1,800 taxpayers with \$84 million in RRIF and RRSP investments are currently being audited. Here's what to avoid:

- Withdrawals of funds without paying tax. Promoters of these plans often promise to return part of the taxpayer's investment by offshore bank accounts, loan-back arrangements, or offshore debit or credit cards
- Immediate access to assets in "locked-in" RRIFs or RRSPs
- Unrealistic returns on investments
- Income tax deductions of three or more times the amount invested in an RRSP.

CRA is warning taxpayers to seek independent advice from a tax professional who is not connected to the scheme or the promoter. Therefore, if you are not up to speed on these types of arrangements, you should investigate in case your clients have questions.

For more information or to interview The Knowledge Bureau, please contact [The Knowledge Bureau Inc.](#)
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Warm Them Up with Heart-Shaped Pretzels!

Courtesy of www.foodnetwork.com

INGREDIENTS

1 cup warm water (about 98 degrees F)
1 package active dry yeast
2 3/4 cups all-purpose flour, sifted
2 tablespoons butter, softened
1/2 teaspoon salt
1 tablespoon sugar
4 cups water
5 teaspoons baking soda
4 tablespoons butter, melted
Kosher salt



DIRECTIONS

In a large mixing bowl, combine warm water and yeast. When the yeast dissolves, add half of the flour, the butter, salt, and sugar and mix for about 3 minutes. Stir in the remaining flour. Turn dough out onto a floured surface and knead until the dough is no longer sticky. Let the dough rise in a greased, covered bowl until it doubles in size, about 45 to 50 minutes. Punch down the dough and divide into 12 pieces. Roll each piece of dough into 18-inch-long ropes. On a greased cookie sheet, shape each rope into a pretzel shape. Let rise again until almost doubled, about 30 minutes. Preheat oven to 500 F.

In a large non-aluminum Dutch oven over high heat, bring 4 cups of water and baking soda to a boil. Using a large spoon, gently lower pretzels into water a few at a time and boil for about 1 minute or until they float. Return the pretzels to the cookie sheet and brush with melted butter, then sprinkle with kosher salt. Bake until browned, about 12 minutes. Serve hot with your favourite dipping sauce, such as pizza, mustard, or cheese!

[Send us your scrumptious recipe!](#)



Yes, This Really Happened!

Quite often, I get asked if I run into any extraordinary cases. Like most professionals, my answer is an unqualified “Yes!” Now, you may be thinking I’m going to spill the beans in this column called *Yes, This Really Happened!* and tell you the goods. Sorry, can’t do that for confidentiality reasons (I can just see you saying, Doh!). All I can say is, my comments range from “That’s incredible!” (like that TV show years ago) to “Am I seeing straight?” And, believe me, even Simon and Schuster couldn’t print some of the stuff I come across!

Now that I’ve brought up the subject, I’m going to do the next best thing and share some stories I run across from time to time. So, hope these make your day, and let’s never forget—it takes more than one person to populate this planet!

Sweden to Consult Canada in Studying Belching Cows

STOCKHOLM, Sweden — A Swedish university has received \$590,000 in research funds to measure the greenhouse gases released when cows belch. About 20 cows will participate in the project run by the Swedish University for Agricultural Sciences in Uppsala, north of Stockholm. Cattle release methane, a greenhouse gas believed to contribute to global warming, when they digest food. Researchers believe the level of methane released depends on the type of food.

Project leader Jan Bertilsson says that the cows involved in the study will have different diets and wear a collar device measuring the methane level in the air around them. He said 95 per cent of the methane released by cows comes out through the mouth. “This type of research is already being conducted in Canada, so we will be in contact with Canadian agricultural researchers in the near future,” he said. The research will be funded by a grant from the government’s Swedish Research Council for Environment, Agricultural Sciences, and Spatial Planning.



Courtesy of The Canadian Press January 21, 2008



[Send us your exciting story!](#)

It's a Photo Finish! Hang Onto Your Hat, Little Buddy!

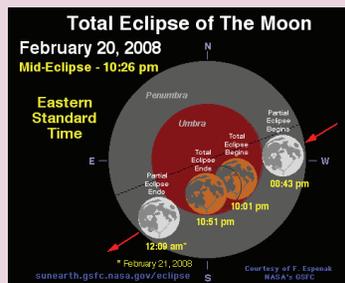


Courtesy of: [The Reno Gazette Journal](#)

Have you heard the saying, "There's one born every minute"? That's exactly what this young giraffe was hoping for when taking his afternoon coffee break. When mom came along to prod him back to work grazing the field, he was too busy checking out the scenery and needed an excuse more than anything in the world. Unfortunately, one that worked didn't come along, and he almost lost his cap!

Celestial Treat— Don't Miss the Total Lunar Eclipse!

If you're in the northern hemisphere on Wednesday, February 20, 2008, make sure you're focused on the eastern sky around 7:00 p.m. Mountain Time to check out a [rare total eclipse of the moon](#). The moon actually turns blood red for about 2 ½ hours, and you only have to hope the skies are clear. [Next one is scheduled](#) for December 21, 2010. If you miss it, you can catch the [live webcast!](#)



[Send us your fascinating photo or story.](#)

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The Tax Tipper is professionally finished by Joyce Gram, your newsletter pro.
gramkend@shaw.ca