



People who care, Plans that perform

Perspective



More about Tax-Free Savings Accounts (TFSA)

So everyone has been promoting the new tax free savings accounts. Does it make sense for everyone? It's only \$5,000 so why all the hype?

First, the basic rules of TFSA accounts include:

1. Each individual age 18 or over can contribute \$5,000 each calendar year to this account.
2. The funds can be invested into anything that you can invest within an RRSP, i.e. mutual funds, GIC's, bank accounts, stocks, etc.
3. Unused contribution room can be carried forward and used in a future year.
4. All income earned in the TFSA is not subject to taxation even when withdrawn.
5. Funds withdrawn from a TFSA account can be re-deposited to the TFSA in a future year.

The TFSA is not for everyone. However, if you are the right candidate then it usually makes sense to set up one of these accounts. Let me explain.

Generally speaking, we would not set up a TFSA account in the following situations:

1. Individuals in a high tax bracket with lots of RRSP room. These individuals should contribute to RRSP's rather than to the TFSA account. However, if this person feels that they want a 'rainy day' account or they are saving for a trip or big ticket purchase then a TFSA account can still make sense.
2. Individuals with debt. We would usually advise directing any available funds to debt before a TFSA investment.

Setting up a TFSA account makes sense for the following individuals:

1. Retired individuals with no debt, no ability to deposit funds to an RRSP and available cash to invest. These individuals can simply take investments that are subject to taxation and move the assets to a TFSA. All future income from the investments will be received tax free.

2. Individuals in a low tax bracket are better served by investing funds in a TFSA rather than investing in an RRSP. Anyone with a taxable income under \$20,000 should consider TFSA investing rather than RRSP investing. In a future year when, and if, taxable income is higher, funds can be withdrawn from the TFSA and deposited to an RRSP to generate a tax refund.
3. Individuals who are trying to save for a vacation or a house renovation or a vehicle purchase should consider using a TFSA account. It makes no sense to invest funds in an RRSP if funds are needed in a year or so. If these individuals have debt it may make sense to pay down the debt and then borrow it back in a few years when needed; a conventional mortgage would not provide this flexibility but a secured line of credit would.

What investments are we recommending for our TFSA investments?

Of course this depends on the client and when the funds may be needed. Some ideas include:

1. Bank accounts and GIC's. Clients who want certainty that their funds are safe would go for this option. At least the interest income is not taxable.
2. Bond and balanced mutual funds. Most of our clients are invested in bond and balanced mutual funds that are considered low, low to moderate or moderate risk investments according to their prospectus.
3. Equity mutual funds. Clients with a longer time horizon may prefer the potentially higher upside of funds invested entirely in stocks. Remember that all income generated is not taxable but any amounts lost are not eligible for capital loss treatment.

Again, so why the all the hype? Let's say a married couple both age 50 are good candidates for a TFSA account. Over a 30 year period of time this couple can contribute more than \$300,000 to TFSA accounts. ALL income forever is never taxed. Over long periods of time the tax savings will be very substantial. These little TFSA accounts are probably the best financial planning tool introduced in Canada since the RRSP was introduced in the 1960's!

*Contributor: Bill Vollmer, CA, FLMI, CFP
Principal and Financial Advisor*



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Tax and Estate Planning Corner

Home Renovation Tax Credit

Did you know that you can save up to \$1,350 for home improvements made before February 1, 2010?

The proposed Home Renovation Tax Credit (HRTC) is a non-refundable tax credit that applies to eligible expenditures incurred for work performed, or goods acquired, after January 27, 2009 and before February 1, 2010.

The 15% tax credit can be claimed on eligible expenditures of more than \$1,000, but not more than \$10,000, which means that the maximum tax credit that can be claimed is \$1,350. The HRTC applies to your eligible dwellings, which include your house and cottage. The HRTC is family based and each family, which includes an individual and his or her spouse or common-law partner and children under 18 years of age, will be allowed a single credit to be shared within the family.

Examples of Eligible Expenses:

- Renovating a kitchen, bathroom, or basement
- New windows, doors or flooring
- Building an addition, garage, deck, shed, fence, or retaining wall
- New furnace, woodstove, fireplace, water softener or water heater
- New driveway or resurfacing a driveway
- Re-shingling a roof
- Painting the interior or exterior of a house
- Central air conditioner
- Home security system (monthly fees do not qualify)
- Fixtures – blinds, shades, shutters (that are directly attached to window frame and whose removal would alter the nature of the dwelling)
- Landscaping - new sod, perennial shrubs and flowers, trees, large rocks, permanent garden lighting, permanent water fountain
- Swimming pools (permanent in ground and above ground), pool liners
- Permanent hot tub and installation costs

Examples of Ineligible Expenses:

- Furniture, appliances, tools and audio and visual electronics
- Routine repairs, maintenance and cleaning (i.e. furnace cleaning, snow removal, lawn care, pool cleaning, house cleaning)
- Financing costs

For example, if Bob and Cathy purchase an energy-efficient furnace for their home for \$5,000, and spend \$3,500 on a deck at the cottage and \$2,500 on landscaping around the deck, their total eligible costs will be \$11,000. Bob can claim the maximum HRTC of \$1,350 ($\$10,000 - \$1,000$) x 15%.

The HRTC can be claimed when you file your 2009 tax return. You do not have to submit your supporting documents with your return; however, you must have this information available if the Canada Revenue Agency requests it. For more information on the HRTC, please visit www.cra.gc.ca.

*Contributor: Christine Black, B. Math, CA, CFP, TEP,
CFO, Tax & Estate Planning Consultant*

Community Business Profile

The Quest Group

The Quest Group is a family owned business in Simcoe. Leigh and Lyn Hall with their two sons, Jeremy and Kristopher, have operated the answering service since its inception in December 1997. Their clients span the country from the east coast to the west coast and more recently into the United States.

The Quest Group offers custom answering services that will fit today's business needs. For example, their Disaster Preparedness Service acts as a back-up in the event your phones are down due to fire, storm or power outages, allowing communications to continue even in times of crisis. Other services include: Customer Support Lines, Email Management, Overflow Call Management, National Account Service, Remote Receptionist Service and RSVP Service. Quest also works in partnership with funeral homes and are members of the Ontario Funeral Services Association.

Their corporate strategy is to focus on creating and maintaining a lasting relationship with their clients. The Quest Group is not just another answering service! Combining old fashioned service with modern technology, and embracing new technologies, they've enabled their clients to run leaner and more efficiently. Their strategy has allowed the business to continue to grow in a challenging economy. The Quest Group is your best answer!

For a full list of the services provided, please refer to their website at www.thequestgroup.ca or call The Quest Group at (519) 426-4904.

In order to offer networking opportunities to our clients and business partners, we will be featuring one business in each newsletter. If you would like your business to be profiled, please contact Rose Frim at (519)745-8500 or by email rfrim@arcafinancial.com.

Contributors:

*Sue Block, Facilities Manager/Accounting Administrator
Rose Frim, Receptionist/Executive Assistant*

In Memoriam

Jim Patterson, who was a retiree from Arca, passed away after a courageous battle with leukemia on June 23rd, 2009. Our thoughts are with his wife Jill, and their family. We'll continue to remember Jim for his kind heart, generosity and his many contributions to the community and to Arca. He'll be sadly missed.



Arca's 10 Year Anniversary!



It has been a full decade since Arca was formed by the merging of several independent firms, incorporating the best business practices from each. Arca has adapted to many changes over the years, and we continue to grow as we strive to provide excellent

service to our clients and build foundations based on financial planning through generations.

This year also marks our five year anniversary of the "new" building located on Labrador Drive in Waterloo. How quickly the years go by! We've enjoyed the environment here and are pleased to hear that our clients feel the same. The "no hassle" parking has also given Arca better opportunities to meet with you and hold community and client events.

Thanks for your support and please join us to celebrate at our Holiday Gala on Thursday December 17th.!

Arca Family Announcements

Congratulations to Deb Wettlaufer who passed her IFIC Securities exam in July! Great accomplishment Deb!

Congratulations to Joanne Strub who passed her Life License exams! Great job Joanne!

Welcome to Sherry Slejska! Sherry joins us as Insurance Associate for the Fast, Healy, Strome, Struck & Hooper teams and Client Service Associate for the Healy & Strome team. Welcome aboard Sherry!

Congratulations to Mirka & Gabor Petro who welcomed their first baby! Melanie Katalin Petro was born on June 6th, 2009. Best wishes to the Petro family!

Congratulations to Rob Hooper who is now a married man! He and Nadine were married on July 4th, 2009. Wishing you a lifetime of happiness Rob & Nadine!

Congratulations to Chris Osborne who married his sweetheart on Saturday, September 12th, 2009. We wish Chris and Lauren all the best as they begin their life together!



Rob Hooper and Nadine Mueller



Chris and Lauren Osborne



Christine Black
B.Math,CA,CFP,TEP
CFO, Tax & Estate
Planning Consultant



Sue Block
Facilities
Manager/Accounting
Administrator



Carolyn Brown



Irene Fast
RHU
Group Benefits
Consultant



Rose Frim
Receptionist/
Executive Assistant



Mark Healy
Financial Advisor



Amanda Hesch
Insurance Associate



Rob Hooper
BA
Financial Advisor



Krystal King
Client Service
Associate



Sue Langdon
BA,FLMI,ACS,AIIA
Project & Systems
Coordinator



Mark Leech
Principal and Financial
Advisor



John Lunz
CFP
Principal and Financial
Advisor



Jeri-Gay MacDonald
Client Service
Associate



Amanda Nickels
Client Service
Associate



Chris Osborne
BA
Financial Advisor



Mirka Petro
Insurance Associate



Kelly Smith



Kelly Strome
BA,CFP
Financial Advisor



Joanne Strub
Insurance Associate



Paul Struck
CLU
Group Benefits
Consultant



Bill Vollmer
B.Math,CA,FLMI,CFP
Principal and Financial
Advisor



Gary Ward
BA, CLU, ChFC, CFP
Financial Advisor



Deb Wettlaufer



*People who care,
Plans that perform*

“Focusing your life solely on making a buck shows a certain poverty of ambition. It asks too little of yourself. Because it's only when you hitch your wagon to something larger than yourself that you realize your true potential.”

-Barack Obama

Regular Office Hours:

Monday to Friday
8:30 am to 5:00 pm.



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Inside Arca

Annual Staff Day

This year for our staff day we enjoyed some team building beginning with a canoe trip down the Grand River followed by a staff meeting back at our office.

Arca Holiday Gala

Please mark your calendars for our annual Holiday Gala on Thursday December 17, 2009. We hope you will be able to join us! More details to follow.

Please note our office will be closed on:

Monday, October 12th – *Thanksgiving Day*
Thursday, December 24th – *Christmas Eve* – closing at noon
Friday, December 25th – *Christmas Day*
Monday, December 28th – Closed in lieu of *Boxing Day*
Thursday, December 31st – *New Year's Eve* – closing at noon
Friday, January 1st – *New Year's Day*

Don't forget to 'fall back' and change your clocks back to standard time on Sunday, November 1st.

Going Green

In our continuing efforts to become a greener office, we are now sending our newsletter by email. If you would prefer to have a paper copy of our newsletter sent to you, please contact Rose by telephone at (519) 745-8500 or by email at inquiries@arcafinancial.com stating “newsletter by mail” in the subject line.

Lifestyle Tips

Lyme Disease

Imagine something as small as the head of a pin attaching itself to you unnoticed, capable of causing a very serious illness. In our own backyards within southern Ontario, small ticks, the most common being deer ticks, may carry a certain bacterium (*a spirochete*), which if attached to the skin long enough, can transmit a potentially debilitating disease known as Lyme disease. Ticks carry several potentially dangerous diseases. Not all ticks carry the *borrelia burgdorferi* bacterium which causes *Lyme disease*, but in a recent study in the United States, 55% of the ticks tested carried up to three potentially dangerous bacteria including the *B. burgdorferi*. Lyme disease is currently on the rise, as the ticks habitat is spreading from southern to northern Ontario, southern Quebec, Manitoba, and parts of the Maritimes and the Prairies.

In 1975, in the village of Lyme, Connecticut, a number of children and some adults were experiencing a variety of symptoms including headaches, fever, fatigue, sore joints and depression. Due to the unusually large number of stricken individuals in the small community, a professor of rheumatology from Yale, Allen C. Steere was contacted to investigate further. Steere initially diagnosed juvenile arthritis, but after intensive studies and collaborations with other scientists from the United States and Europe, he determined the source of the disease was infected ticks. The actual bacterium the ticks carried remained a mystery until it was identified in 1982 by the Swiss scientist Willy Burgdorferi, hence the name of the bacterium.

The first indication of being bitten by a tick carrying this bacterium is the appearance of a rash called *erythema migrans* (EM), sometimes called a bulls-eye rash because it spreads in a round, red pattern. Other early symptoms include headaches, fatigue and sore joints. The disease can be effectively treated with a course of antibiotics at this stage, but if diagnosis or treatment is delayed, complications can become quite severe affecting the heart, joints and central nervous system, resulting in a long recovery with potentially permanent ailments. Occasionally, symptoms such as arthritis may persist even after the infection has been eliminated.

The best protection from contracting Lyme disease is prevention! Wear long pants, hats, socks and closed-toe shoes when walking through tall grasses. Avoid trails that are known to be deer paths. If it's too warm outside to wear long sleeves, using repellants containing DEET are a recommended deterrent. *Permethrin* is also a highly effective repellant, although it cannot be applied directly to the skin. It is important to check skin, hair and clothes whenever you return from hiking. Ticks attach themselves to you and burrow just under the surface of the skin where they need to be in contact for 24 - 36 hours for bacteria to be transferred. If you notice that a tick has attached itself to your skin, it's important to remove it carefully, making sure that the **whole** tick is removed. The most commonly suggested way of removing them is with fine pointed tweezers. It is also suggested to keep the tick in a jar with rubbing alcohol just in case it needs to be tested. Be safe and enjoy the outdoors, but be aware and informed of the dangers that these harmless looking ticks are capable of doing!

Contributor: Rose Frim, Receptionist/Executive Assistant