

Per\$pective

People who care, Plans that perform



RESPs - Lightening the “Post Secondary School Load”

Registered Education Savings Plans (RESPs) are becoming a hot topic as more people become aware of them and we thought we would use this opportunity to discuss some of the details. The idea of beginning to save for a child's education early can be an attractive thought when one considers the potential cost of post secondary education in the future. How much will schooling cost in 15 or 20 years? Some estimates are as high as \$20,000 per year, something that will require more than a "little tightening of the belt" at the time our children take those first steps out of the family household. Small contributions over many years can make the burden easier... and you can start as soon as your child has a social insurance number!

Contributions

The item that causes the most confusion is that RESPs are not like RRSPs where contributions are tax deductible. However, the income in the plan grows tax free (so they enjoy tax free compounding). The Federal Government gives a grant of 20% on the first \$2,000 per year of contribution. Therefore, this grant is worth up to \$400 per year up to age 18 (to a maximum of \$7,200 per child). If you contribute less than the maximum contribution in any given year and therefore receive less than the \$400 grant maximum that year you can “catch up” that missed grant by increasing your contributions the next year, up to the maximum \$4,000 per year per child. Over contributions are subject to penalty. This federal grant can be carried forward, but remembering that \$4,000 per year per child is the maximum contribution.

Withdrawals

Like all good things, RESPs must come to an end. When the child withdraws the funds, the growth and grant portion will be taxable to the child (paying little or no tax in most situations). Payments may be taken anytime after the child enrolls as a full-time student in a qualifying program at a qualifying post secondary institution. Students cannot receive more than \$5,000 of growth and grant in the first 4 months of education (although the capital amount is not restricted). A key planning point is that when funds are withdrawn from the RESP, it is possible to

indicate whether you want to withdraw capital (not taxable) or growth/grant (taxable to the child).

Timeframe

An RESP can be established for a child as soon as the child has a social insurance number. An RESP can be in place for 25 years but grants are only available on contributions made up to the year in which the child turns age 17. There are some technical grant-eligibility rules related to setting up RESPs for children aged 16 and 17.

Example:

John and Jane Doe contribute \$100 per month to an RESP for the first 18 years of little Jimmy's life. Jimmy is accepted into college at age 18. A total of \$21,600 was deposited into the RESP account, while the government contributed \$240 per year or \$4,320 in total. At age 18, the RESP is worth \$46,050, assuming a 7% growth rate on the funds invested in the RESP.

Individual versus Family Plans

It is possible to set up individual RESP plans for each of your children/grandchildren or you can set up one family RESP account for all of your children/grandchildren. There are benefits of each plan for different situations. To learn more please contact your financial advisor at Arca.

In summary, if you plan to pay for some or all of the post-secondary educational costs for your children / grandchildren, the RESP is the vehicle of choice. Free money is available from the government and a small amount saved monthly will make you feel great knowing that your children/grandchildren will be have the advantage of a post-secondary education.



Contributor: Mark Healy
Financial Advisor

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MARKET COMMENTARY

Weekly Financial Markets Review

May 1 - May 5, 2006

Canada's key stock barometer posted a second consecutive weekly gain. The index zigzagged in and out of positive territory, and had it not been for a triple digit gain on Friday, Bay Street might have been marred in red ink. Overall, four of the ten TSX sectors finished the five-day trading period higher than the previous week. The materials sector extended its gains for another week, advancing over four percent. For the past year, the energy and materials groups have battled for supremacy. As of Friday, both sectors' 12-month returns were even at 54.7%. The behaviour of both sectors has been interesting to watch, especially in 2006. Since the beginning of the year, both sector indices have been following each other very closely.

The loonie at parity with the mighty buck? According to some Forex traders and analysts, it is possible that the loonie extend its four-year

advance against the big dollar to parity before long on the back of surging base metals and crude oil prices. With the Bank of Canada poised to raise short-term rates at least one more time at the end of May, the Canadian unit could enjoy further gains. All eyes this week, however, will be on the Federal Reserve. The American central bank is expected to raise its key lending rate for the 16th consecutive time on Wednesday. Fed Funds are expected to top five percent this week, up 400 basis points since the central bank started its tightening campaign in June 2004. The Canadian equity market will also be under the spell of mergers and acquisitions activity this week with Teck Cominco making a C\$17.5 billion bid for Inco.

Article sourced by Lori Struk.

The above information is part of an article in the Manulife Financial Weekly Financial Markets Review, May 1 to May 5, 2006.

“You must learn from the mistakes of others. You can't possibly live long enough to make them all yourself.”

Sam Levenson

TAX & ESTATE PLANNING CORNER

Do You have Your E-pass Yet?

Canada Revenue Agency (CRA) is encouraging all taxpayers to set up an electronic account with them called “My Account”. With My Account you can view your personal tax and benefit account information online through a secure Web portal. For example, you can view information about your: tax refund or balance owing; direct deposit information; RRSP and homebuyer's plan; tax returns and carryover amounts; account balances and payments on filing; instalments; authorized representatives and address and telephone numbers. You can also do many transactions online to manage your personal income tax and benefit account, such as: changing your tax return; changing your address or telephone number; authorizing your representative or registering your formal dispute.

To access the services under CRA's My Account, you will first need to register for an epass on CRA's website at www.cra.gc.ca/myaccount. You will need to select a User ID and password and answer three questions. You

will also be asked to provide some personal information to confirm your identity (social insurance number, date of birth, Total Income on line 150 from your 2004 or 2005 filed and assessed tax return, and postal code), and you will then receive a CRA activation code by mail in approximately five business days. You will then be able to access your personal information by logging in and using the epass User ID and password.

With My Account, you'll be able to get answers much quicker than trying to reach CRA by telephone. Avoid delays and register today!

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COMMUNITY BUSINESS PROFILE

A1 Car Cleaning



A1 Car Cleaning has been performing state of the art car detailing for over 20 years and has earned a reputation in the tri-cities as a quality car detailing company. Chris Smith, owner since 1999, was propelled by his love for cars and his extensive management and business experience to start his dream. Always longing to have his own business, Chris left a very successful management position to purchase the Fairway Road location in 1999. His goal was to franchise A1 Car Cleaning. In 2000 he purchased the University Avenue location then opened the Cambridge location and later purchased the Davenport store.

Unlike many of its competitors, A1 does everything by hand, there are no machines that can sometimes damage a vehicles exterior. A1 caters to the customers needs and always strives to leave the customer ecstatic about the service they've had which is reflected in the company's 100% customer satisfaction policy and their quality care checklist.

Since A1 has been in business for over 20 years they have a wide variety of clients ranging from busy moms and executives to fleet vehicles for dealerships, the OPP and customers wanting to trade-in or sell their vehicle. Some of the services they offer to their clients are: general clean up, hand wash and wax, exterior detail and polish, interior shampoo,

premium rust protection, engine shampoo, paint overspray removal, leather seat conditioner, decal and graphic removal, fabric protection and window tinting.



Chris' future plans are to open a fourth franchise and he is currently looking for a location. For more information on the services offered at A1 Car Cleaning or location specific information visit them online at www.a1carcleaning.com.

Contributor: Debbie Hohl

In order to offer networking opportunities to our clients and business partners, we will be featuring one such business in each newsletter.

If you would like your business to be profiled, please contact Debbie Hohl at 519-745-8500 Ext:221 or by email dhohl@arcafinancial.com

GROUP BENEFITS FUNDAMENTALS

Health Insurance Eligibility

All permanent Ontario residents are eligible for the Ontario Health Insurance Plan. Certain restrictions now apply to temporary residents (students, persons holding work permits and their families).

Moreover, all new Ontario residents must wait three months before they are covered under the plan. Residents returning to live in Ontario after being out of the country for more than seven months are also subject to a three-month waiting period, which begins upon their return to Ontario, before they are once more eligible for the provincial plan. They are also required to be present in Ontario for 153 days in the first 183 days immediately following the date they establish their residency in Ontario.

All eligible persons must file an application to obtain

an individual card. For more information visit the website at www.health.gov.on.ca and click on OHIP.

Interim plans to cover waiting periods are available. Please call us at Arca, (519) 745-8500, if you require assistance or need more information.



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Spotlight

Summer Hours

Summer hours will be in effect at Arca from July 3rd through to September 1st inclusive: Monday to Thursday, 8:00am to 5:00pm and Friday, 8:00am to 12:30pm. Regular office hours resume Tuesday September 5th.

Notice of Assessments

Remember to send us your 2005 Notice of Assessments from CCRA (Revenue Canada).

Feedback Contest Winner

Congratulations to Bent Jensen! For submitting his feedback Bent has won two movie passes and a K-W on Board game. Congratulations and thanks to all those who contributed feedback.

Drop Box for After Hours

We have now installed a drop box at the front of our office which allows our clients the flexibility of being able to drop off cheques and paperwork after-hours into a secure location.

Contributor: Debbie Hohl

INSIDE ARCA

Welcome General Manager,
Connie Barnett!



Connie joined Arca Financial Group on April 24, 2006 as our new General Manager. She developed her management skills in the banking world, and was formerly an Assistant Branch Manager for National Trust and Manager of Financial Services for National

Bank. Connie is also very busy at home raising 5 year old triplets with her husband Dave. Welcome aboard Connie!

LIFESTYLE TIPS

Healthy Start to 2006!

Several studies over recent months suggest that perhaps slathering on that sun screen every time you step outdoors may be contributing to more cancer deaths than it prevents! It seems that the "sunshine vitamin", vitamin D, is beginning to show a serious lack in many populations. This lack could be contributing to many forms of cancer, specifically, lymphoma and cancers of the prostate, breast, lung, colon and ironically, the skin. The evidence is so convincing that scientists and dermatologists are now suggesting we incorporate 10 to 20 minutes a day of sun exposure to supply us with sufficient vitamin D. Their opinion is based on the fact that skin cancer is rarely fatal in comparison with the protective effect vitamin D has towards combating other more serious forms of cancer.

Scientists have long been aware that vitamin D strengthens our bones and muscles and boosts the immune system. A deficiency could contribute to an increase of osteoporosis. Food sources include salmon, tuna, other oily fish, egg yolks and milk (added during production). Difficult to absorb in pill form or through diet, vitamin D is absorbed most efficiently through sunlight.

In his recently published book, "The UV Advantage", Dr. Michael Holick, chief of endocrinology, nutrition and diabetes at Boston

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End of RRSP Season Party

As we all know the RRSP season is extremely busy for the investment industry from January to March each year. On March 29, 2006 advisors and staff of Arca Financial celebrated the end of RRSP season. Arca staff and advisors gathered at Morty's Pub in Waterloo where everyone enjoyed a few games of pool and some munchies.

Bowling Night

On April 27, 2006 some of the staff from Arca joined together in a bowling night at Waterloo Bowling Lanes. Fun was had by all and congratulations to Sue Langdon and Michelle Nelles who will hold Arca's "Bowling Champion" title for 2006!

Contributor: Lori Struk

University urges people to get more sunlight. In a recent lecture for the American Association for Cancer Research in California, Dr Edward Giovannucci, a Harvard University professor, stated that he challenges anyone to find a nutrient with such consistent anti-cancer benefits as vitamin D. His lecture was so impressive to Dr. Michael Thun, the American Cancer Society's chief epidemiologist, that the society is reviewing its' sun protection guidelines. The concern in Australia has prompted The Cancer Council of Australia to revise it's warnings about the risks of sun exposure stating that "a balance is required between avoiding an increase in risk while achieving enough ultraviolet radiation exposure to achieve adequate vitamin D levels."

We know that the sun also has the effect of cheering us up. Many people who suffer with "seasonal affective disorder" (SAD) will attest to that. No one is suggesting you bake in the sun, but it appears that soaking up a few rays is as enjoyable as it is beneficial. Using moderation and common sense is highly recommended! Enjoy a healthy, sunny summer!

For more details visit:
www.healthdiscoveries.net or
<http://abcnews.go.com/health>

Contributor: Rose Frim



Arca Family Announcements



Congratulations to Mark Leech! Mark, his wife Kim and daughter Avery welcome the newest edition to their bunch, Ian David Leech, born April 27th weighing 7lbs and 1oz. Best wishes to the Leech family!



Welcome back and congratulations to Stephanie Schmid! Steph has re-joined the Arca team as an Insurance Associate and she passed her Life License Qualification Program (LLQP) exams in March 2006.

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