New tax rules sure to alter saver's plans

By John Withrow, CA

(NC) — Have you thought about how plans for tax reform in Canada will affect your retirement planning?

That is just one of many questions being asked about Mr. Wilson's June 18, 1987 White Paper proposals, but if you are approaching retirement it is probably the most relevant question.

Only after we have seen the revised tax forms and details of the sales tax changes — the second phase of the Minister's ambitious reform package — will we be able to make a final judgement on how successful his efforts have been.

It is not too soon, however, to be able to assess how the changes in individual taxes will affect your retirement planning.

First, there are no major changes for the 1987 taxation year, so there is one more tax return to file under the current rules.

Since two deductions will disappear at the end of this year, however, you may wish to arrange your financial affairs to take full advantage of them in 1987.

The two deductions being dropped are the employment expense deduction (a maximum \$500) and the interest and dividend deduction (a maximum \$1,000).

The employment expense deduction applies only to people who are still working, whether full-time or

SAME DAY TAX RETURNS

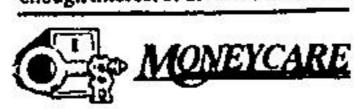
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part-time, so that for older taxpayers there is little that can be done.

The interest and dividend deduction is a more fruitful area for tax planning. It probably applies to many of us, and it may be possible to arrange to receive income to take full advantage of the deduction for the last time.

For example, if you do not have enough interest or dividend income to



use the deduction fully, but have Canada Savings Bonds of the type where the interest compounds instead of being paid each year, you may wish to report the interest for 1987 to use the \$1,000 deduction fully.

If you will be retiring shortly, Registered Retirement Savings Plans (RRSP's) may be a major factor in

your plans.
For 1987 and 1988, the current maximum contributions still apply. But in 1989 the RRSP contribution limit under present proposals will be changed from 20 per cent of earned income (a maximum \$7,500) to 18 per cent (maximum \$9,500) for people without employer pensions.

The maximum contribution of \$15,500, originally scheduled to be phased in by 1991, has now been postponed until at least 1995.

For CA's advice on TV—see Your Wealth, available on broadcast channels in Ontario and on satellite across Canada, or see Money in the Bank, on your community cable channel.

Moneycare is general financial advice by Canada's chartered accountants. John Withrow is retired and living in Toronto.

Income contribution

Types eligible for RRSPs

Registered Retirement bavings Plans (RRSPs) are perhaps the most widely known and utilized tax shelter. It is important that everyone be aware of the contribution limits and of those sources of income which qualify as a contribution base.

Contributions to an RRSP qualify you for an income tax deduction. You may deduct the lesser of the following three amounts.

1. If, as a consequence of your current employment, you are, or may become entitled to benefits under a pension plan, your limit is \$3,500 less your current and past service contributions to the plan. Your limit is also \$3,500 if you or your employer made a contribution to your account in a deferred profit sharing plan.

2. In any other case, the lesser of \$7,500 and 20 per cent of your earned income.

3. The amount of the contribution.

For purposes of contributions, the expression "earned income" has a specific meaning. It includes the following:

1. Net salary and wages (basically, the earnings from employment box "C" of your T4 slip minus the employment expense deduction, unemployment insurance premiums and union dues. Contributions to the Canada Pension Plan, the Quebec Pension Plan or company pension plan do not reduce net salary or wages that can be included as earned income). Taxable fringe benefits and tips should be included in

employment income;
2. Net self-employment income including copyright and patent royalties, recaptured capital cost allowance and inventory revaluation adjustments;

 Net rental income from real property, including recaptured capital cost allowance; 4. Superannuation or pension benefits including Old Age Security; Canada Pension Plan and Quebec Pension Plan benefits;

5. Alimony or maintenance payments;

6. Retiring allowances;

7. Death benefits;
8. Income from a deferred profit-sharing plan;

-Courtesy Mutual Life of Canada

Y seminars offer investment tips

The YMCA is presenting two investment seminars in February and March.

The first one is called Understanding The Stock Market and it will be held Feb. 29 at 7 p.m. - 10 p.m. at the cultural centre in Georgetown.

The second seminar begins March 7 at 7 p.m. at St. Joseph's Separate School in Acton. The topic is Investment Strategies. The cost is \$15 per seminar or \$25 for both sessions. Call 853-1070 (Acton) or 877-6163 (Georgetown) for more information.

The guest speaker is Stephen Fagyas who works at Prudential-Bache Securities. He is a stock broker with the multi-national brokerage house.

He has years of investment experience in addition to senior executive positions in the private and public sector.

His associate is Steve Nemcsok, who has over seven years experience as a senior geologist with Amoco Canada Petroleum Company in both domestic and international oil industry.

His combined personal and business investment experience culminated in a full-time application of his knowledge in the securities business. He has provided interesting and informative seminars to the petroleum industry and more recently to interested investors.

Mr. Fagyas has attained senior management experience as a CEO in several parts of Canada, complementing

many years of investment experience.

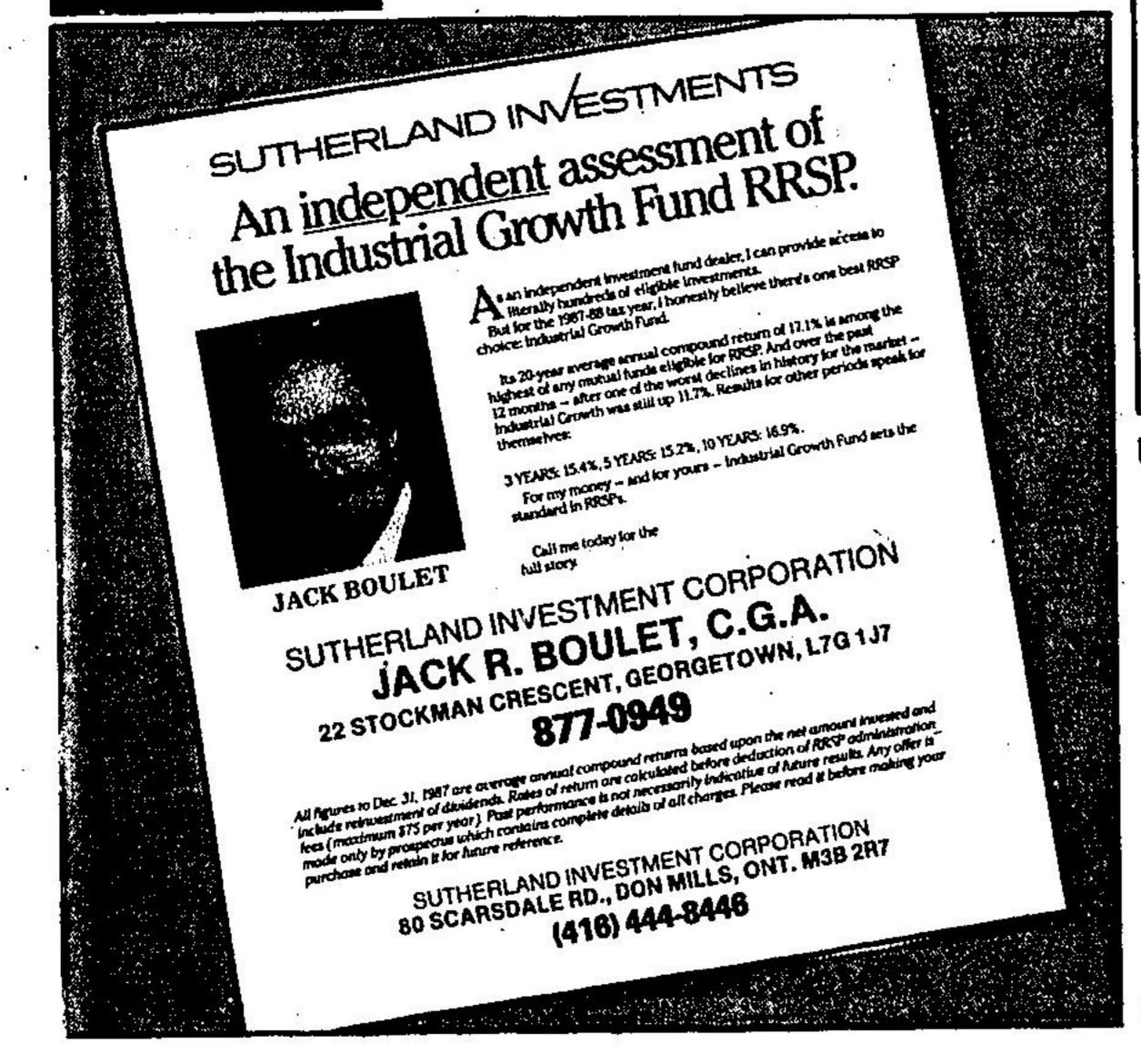
The seminar Feb. 29 will talk about understanding the stock market, especially since Oct. 19, 1987. Topics to be covered will include how to develop an investment portfolio and how to select common and preferred stocks,

bonds, and debentures, etc.

The seminar leader will also discuss how to read stock quotes, financial reports and how to select a broker. The value of discount brokers versus full service brokers will also be a topic of discussion.

The Investment Strategies seminar March 7 will cover the difference between saving and investing and how to compare investments. Participants will learn the risk-reward analysis and how to safeguard against inflation and deflation.

Also discussed will be the different investment instruments and their various features.



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