# Where to keep securities?

**Brian Slessor**
**Dollars and Sense**

If you invest in individual stocks and bonds, you have to decide where to keep these securities. Your choices are to hold them yourself or leave them at your brokerage house (known as keeping them in "street name")...

Here are some questions I'm frequently asked about where to keep securities.

**What does leaving securities in street name really mean?**

It means that your shares of stock or your bonds, along with those owned by the brokerage firm's other customers, are registered in the firm's name. The number of shares or bonds you own is clearly and legally established through your purchase confirmations and account statements from the firm. Dividends on stocks and interest on bonds are paid to the firm and are credited to your account.

**Why should I leave my securities in street name?**

First, convenience - especially when you want to sell. If you're an active investor, it's almost essential to keep your stock and bond certificates at your brokerage house. Otherwise, you'll constantly be sending securities by messenger or overnight delivery to meet settlement deadlines, risking possible loss of the certificates in transit. Also there could be occasions when you are out of town on business or vacation and there is a change in the status of your investment, for example a takeover or a move in the market price. If your shares are locked away in a safety deposit box, you will be unable to act on any changes.

Second, your earnings can go to work much faster because when dividends or interest are paid on your investments, they are automatically deposited to your account at your brokerage firm where they earn a competitive interest rate. If the issuers mail these payments to you instead, you could lose up to two weeks' earnings while the cheque is in transit and while you wait for it to clear.

Third, you can quickly borrow money against your investment portfolio at very competitive rates. But to qualify for margin loans you must leave your securities in the physical possession of your brokerage firm.

The fourth major benefit is that record-keeping and tracking the performance of your portfolio are greatly simplified. All of your holdings are valued on each statement you receive (usually if there is activity in the account). At the end of the tax year you receive a summary of all income and dividends and just one T-5 slip. If you move, a phone call changes your address, rather than having to contact each company whose securities you own.

**How safe are the securities I leave in my brokerage house's care?**

Very safe, since most brokerage firms are members of the National Contingency Fund. Established in 1969 by the Investment Dealers' Association of Canada, the four Canadian Stock Exchanges and their members, the fund insures all securities and cash balances that result from transactions in all of the activities carried on by the brokerage firms. Unlike some government insurance funds, there is no maximum limit set on the amount the Fund will pay on a valid claim. Indeed, valid claims from individual investors dealing at arm's length have all been paid in full since the inception of the fund in 1969.

You should also know that securities paid for in full and held by a brokerage firm are held aside for you "in segregation" and are not used in the conduct of a firm's business.

If you deal with a large, well-known brokerage firm, insurance is really just an extra protection. The firm's commitment to maintain its reputation for integrity and financial stability are just as important (maybe more so).

***If street name is so advantageous, why would anyone take delivery of securities?***

Some people prefer to have physical control of their securities, especially if they plan to hold them for the long term. They like to know that the certificates are in a safe-deposit box with other important documents. (Surprisingly, however, many banks don't insure the contents of safe-deposit boxes. Check with your bank. You may need your own insurance.)

**Brian Slessor is an Investment Executive with ScotiaMcLeod. Questions should be directed towards Brian who can be reached at (416) 863-2825. Call collect if outside Toronto.**

# Plan ahead for 1990 tax return

By MURRAY RUMACK, CA

With your 1989 income tax return out of the way, now is the ideal time to take steps to minimize taxes and headaches a year from now. Here are tax-planning tips for your 1990 return:

- Make your registered retirement savings plan (RRSP) contributions as soon as possible so that the money starts earning interest earlier. If your spouse has little or no income, consider contributing all or part of your RRSP limit to a spousal plan. Upon removal of the money, at retirement, the proceeds are shared (the tax term is "splitting income") and this results in two pension income credits rather than one. Consequently the income tax cost will likely be less than it would have been on 'one head.'

In 1990 the RRSP limit for a person without a pension plan is $7,500, or 20 per cent of earned income *if that is less. If you belong to* a pension plan, the limit is $3,500 minus your pension contributions.

- If you receive Canada Pension Plan benefits and your spouse does not, consider splitting the benefits, which can be done on application to an income security programs office - of Health and Welfare Canada. Again, the purpose is to split income with a spouse who will likely pay less tax.

- A third way to split income with your lower-income spouse is possible if you are receiving a pension. Up to $6,000 a year of periodic pension income can be rolled over each year until 1994 into a spousal RRSP.

- If you are at least 60, you can generate a pension income credit immediately by annuitizing enough RRSP funds (about $10,000) to produce $1,000 of income.

- Either spouse may claim medical expenses for both, providing they exceed 3 per cent of the taxpayer's net income.

- If you have to pay income tax in instalments (you do if you owe $1,000 or more of federal tax and more than a quarter of your income is not subject to tax withholding at source) pay promptly to avoid the new, steeper interest rates and harsher penalties. As interest and penalties are not deductible, you should avoid these costs since they are "after-tax" costs - the cost is almost double. Be aware that the dates by which the instalments must be received have been moved up to March 15, June 15, September 15 and December 15.

- If you have tax carryforwards *from previous years, remember to* claim them. For example, if you have contributed more than 20 per cent of income to charity, you have up to five years to claim the excess.

- Keep in mind that you now must report accrued interest (earned but not received, as on a five-year guaranteed investment certificate) every year.

For CA's advice on TV - see Your Wealth, available on braodcast 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. Murray Rumack is with Ernst and Young.**


## ARE YOU AFRAID TO ASK

★ HOW MUCH OF A MORTGAGE CAN YOU AFFORD?

★ HOW MUCH DOES A LAWYER COST AND WHAT WILL HE DO?

★ HOW A BUILDING INSPECTOR CAN SAVE YOU MONEY AND WORRY?

★ WHY YOU NEED A SURVEY?

★ WHAT A MOVING COMPANY WILL DO FOR YOU?

★ HOW TO DECORATE YOUR HOME TO MAKE IT MORE SALEABLE?

★ HOW COMPUTERS TAKE THE GUESS WORK OUT OF FINDING A HOME?

COME TALK TO OUR GUEST PROFESSIONALS FOR EXPERT ANSWERS TO EVERYTHING YOU ALWAYS WANTED TO KNOW ABOUT REAL ESTATE AND WERE AFRAID TO ASK!

ONTARIO HOME WEEK
SEPTEMBER 21 - 29, 1990

JOIN US

THIS SATURDAY & SUNDAY, SEPTEMBER 22nd & 23rd

11:00 a.m. - 4:00 p.m.

LUCKY DRAWS & REFRESHMENTS

NRS NATIONAL REAL ESTATE SERVICE

NRS BRAND REALTY INC., REALTOR

45 MOUNTAINVIEW RD. N., GEORGETOWN, ONTARIO

(416) 873-0300 TORONTO (416) 840-1268