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Tax Time: Things people try to claim

BY TODD MCCALLUM

(NC)—It is tax time and it is the time of year where people are willing to try just about anything to legally reduce their tax bill. So before you collect up your receipts and start preparing your tax return, here is some advice on what deductions you can and can't claim.

Cleo Hamel, a senior tax analyst with H&R Block (hrblock.ca), has heard just about every possible reason to make a claim on a tax return.

"Last year, I had to convince a new father that his wife's maternity clothes were not considered a medical expense by Canada Revenue Agency," says Hamel. "However, our tax

system does allow you to challenge the guidelines if you believe you have a legitimate deduction that the CRA will not let you claim."

The tax courts do not always side with the taxpayer. For example, the court decided a taxpayer could not claim the cost of trips to Las Vegas and Arizona as medical expenses even if their dermatologist recommended trips to warmer climates to help treat psoriasis.

Many people incur expenses directly related to their job but unfortunately, most of these cannot be claimed against employment income. For the serviceman required to get a

haircut every two weeks, it was still considered a personal expense.

"The good news for 2006 is that the new Canada Employment Credit will give working Canadians a little credit for their jobs," explains Hamel. "If you had any employment income in 2006, you will be able to claim this credit."

Some tax court challenges are successful. A bike courier was allowed to claim the cost of additional food because the extra energy expended was deemed a business expense. This deduction also applies to on-foot couriers.

Hair transplants are considered a medical expense since it is generally considered to be beneficial to the patient's health.

"It never hurts to ask if something is covered," says Hamel. "You may be surprised to find there are already guidelines on a deduction or credit. And you can always file a Notice of Objection if a deduction is declined. If that fails, you can appeal to the Tax Court. It may rule in your favour, but don't be surprised if the answer is no."

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It's never too early to teach kids about money

(NC)—In the days before television, children could receive a dime and be reminded not to spend it all in one place – and parents could believe they were teaching their children about money. But it's a different world now with marketing messages targeting ever-younger children. It's been estimated that children aged eight to 13 are exposed to some 40,000 commercials every year.

"While parents can't single-handedly wipe out mass marketing to children, they do have a powerful tool at their disposal: education," says Patricia Lovett-Reid, senior vice president, TD Waterhouse Canada Inc. "Attempts to educate kids about money will be more successful if they're fun, interactive and tied to age-appropriate goals."

One guideline is to start teaching children about money as soon as they begin asking about it. A child as young as five may be ready to start earning an allowance, a great hands-on way to start learning. An idea for kids this age is to have them divide their allowance into three labeled jars according to the values parents are trying to impart – for example, one jar for spending, one for saving, and possibly a third for sharing.

Children become more avid consumers as they move through grade school so by the time they are seven or eight, parents may consider starting bank accounts for them. TD Canada Trust offers no-fee savings accounts for children. A passbook is seen as serious business to a child, and regular trips to the bank to update

it may get them excited about saving more and watching their savings grow.

As children enter their 'tweens, they may be interested in saving more seriously for larger purchases. Parents should teach older kids what they themselves have learned from experience: the importance of starting early when it comes to saving and investing, as well as the concept of paying

yourself first.

Older children and teenagers should learn about opening chequing accounts and registered Retirement Savings Plans (RSPs) and be taught how compounding and dollar-cost averaging work. Many online calculators exist that will do the math, so it just takes a moment to see the results that different saving strategies produce. A regular

monthly contribution to an RSP mutual fund can be set up at a TD Canada Trust branch for as little as \$25 a month, offering an accessible way for kids to learn about saving for the future.

"Remember, the best way to teach kids of all ages is to lead by example. Strive to be a good role model and teach your kids what you learned through trial and error," says Lovett-Reid.

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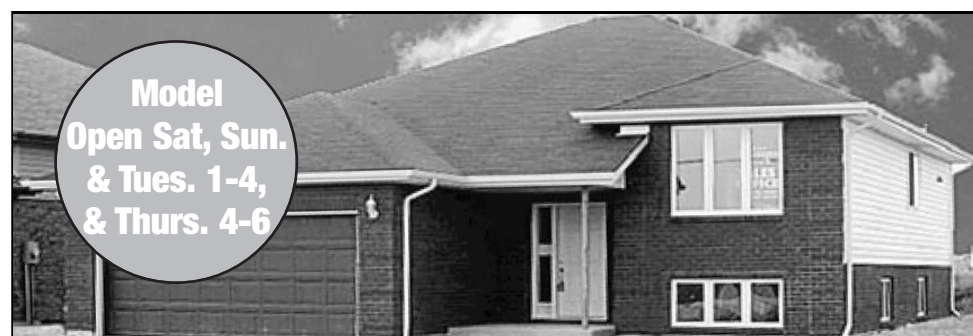
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Suzanne R. Allison
Division Director
Phone: (519) 969-7526 ext. 221
Fax: (519) 969-3737
suzanne.allison@investorsgroup.com

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