

# RAWLING REPORT

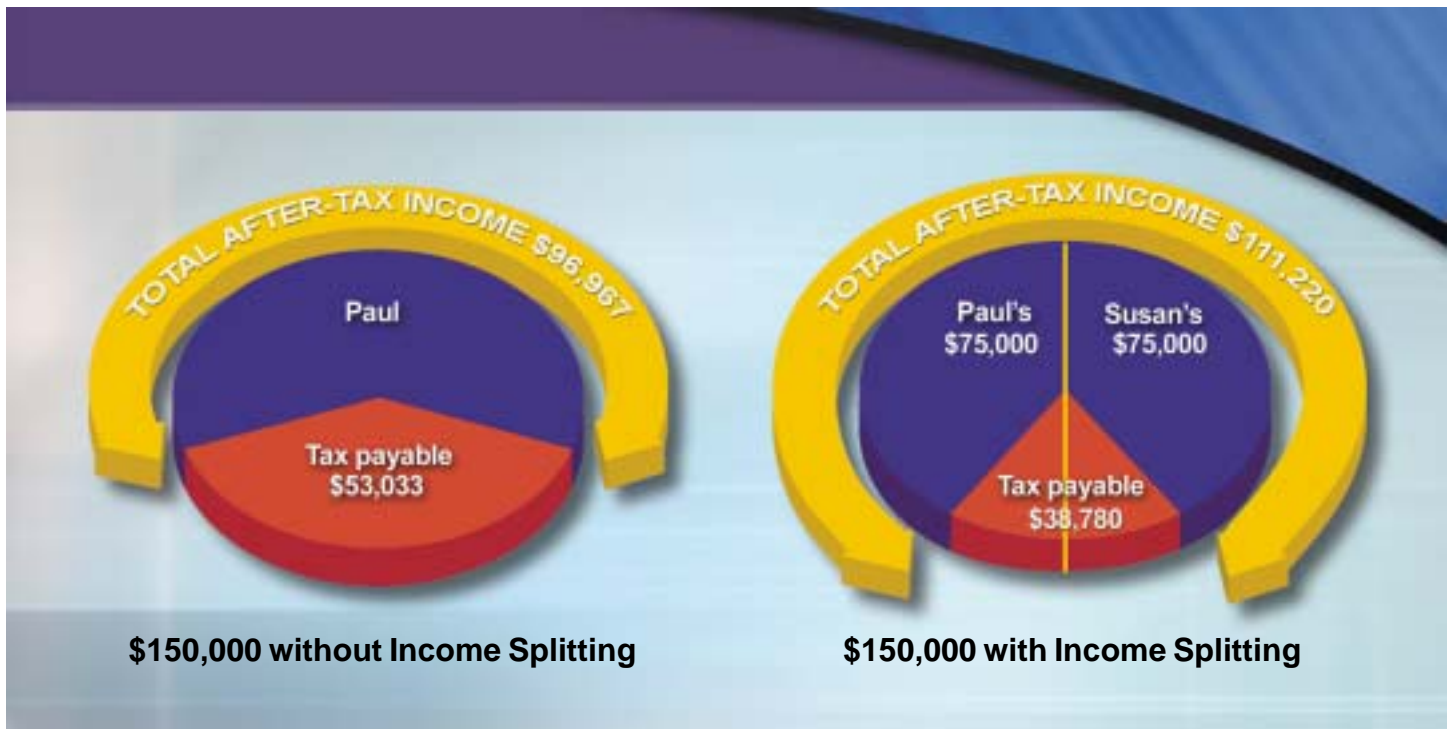
WINTER 2004 • BROUGHT TO YOU BY



RAWLING FINANCIAL INC.

HELPING CLIENTS MAKE WISE DECISIONS REGARDING THEIR WEALTH

## Tax Planning; "Spousal RRSP"



**The** charts above show the same gross retirement income paid out in two different ways. In this example, Susan and Paul are fictitious clients. The difference in tax payable appears to be \$14,253 for the year. That, I feel makes a compelling reason to consider this type of planning for married clients. I have taken the couple's different incomes and used the Walter Harder & Associate's website: [www.walterharder.ca](http://www.walterharder.ca) and accessed the "marginal tax rate calculator" to calculate the tax for the chart. I used the 2004 Federal/Province of Ontario tax rate on the calculator. I give you this site, so you can see the impact for your specific incomes.

I hope this gets you thinking about the strategy of building an RRSP that will generate similar income when you and your spouse retire. If your spouse has a lower income, it might not make sense to be as aggressive using up their RRSP deduction room. You should first look at establishing a Spousal RRSP

that allows the RRSP to grow in the name of the lower income spouse, but get the tax deduction for the higher income spouse. Beyond the greater tax deduction it might allow for a couple to build their RRSPs to a matching amount at retirement. The lower income spouse is limited to a smaller RRSP contribution by virtue of the 18% of earned income limit.

How much RRSP contribution can I make for the 2004 taxation year? As I said, you can put in 18% of your earned income to a maximum of \$15,500. You have 60 days into 2005 to make the contribution for the 2004 tax year – the last day is March 1st, 2005. A date to remember if you are a procrastinator!

If you're unsure about any carryforward RRSP room that you might have from the past and can't find your "Notice of assessment," I have found the Canada Customs & Revenue Agency (CCRA) website

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to be useful. The link is [www.cra-arc.gc.ca/tips](http://www.cra-arc.gc.ca/tips). You can also access them toll-free at 1-800-267-6999. It's nice to see our tax dollars providing a nice service like this. I also must warn you that they will require...

- your social insurance number;
- your month and year of birth; *and*
- the total income you entered on line 150 of your return.

If you are like me and might forget what was written in line 150 of your last tax return, you'll want your tax file out so you can get that "total income" number. The RRSP deduction limit service lets you

know the amount of RRSP contributions you can deduct on your current-year return and, if it applies, any unused contributions available for you to claim. This service is available from mid-September through the end of April.

I hope this has given you some "food for thought" regarding optimizing the tax opportunity called the "Spousal RRSP." It is always a good idea to talk to your accountant/tax advisor to see if this idea makes sense in your situation. We are always willing to dialogue with your professional advisors, since we have found that the "team approach" works well in bringing about good results for our clients.

## Financial Coaching Update

It was a very successful year for our fee-based planning programs. Our goal continues to be "helping our clients makes wise decisions regarding their wealth." We feel our unique approach puts more focus on what client's value – not the value of what they own. Doing the proper level of discovery first allows us to get the correct level of clarity and priority of issues before we start searching for a solution and taking action.

Effective January 1st, 2005 our planning fees will change. In the "Planning Trail," our "Financial Independence Program" will be \$1,200 for the initial plan. We'll provide guaranteed prices for the 2006 and 2007 annual review meetings at \$600 per year. Our "Wealth Optimization Program" is now \$1,200 for phase one – Discovery Profile Report. Phase two is \$6,000 for the Legacy Family Plan.

We will still offer the "Single Purpose Trail" for clients needing a quick solution for a specific issue. We simply put together a product solution for an issue with minimal planning – no fee is charged.

More information about our programs is available on our website or by giving us a call.

### Closing smile... "Who's the Boss?"

My boss was complaining during a staff meeting that he wasn't getting any respect. Later that morning he went out and got a small sign that read: "I'm the Boss" and taped it to his office door. Later that day when he returned from lunch, he found that someone had taped a note to the sign that said: "Your wife called, she wanted you to bring her sign back!"



*"Seasons Greetings  
from the  
Rawling Family...  
Happy 2005"*



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