

RAWLING REPORT

WINTER 2009 • BROUGHT TO YOU



BY RAWLING FINANCIAL INC.

HELPING CLIENTS MAKE WISE DECISIONS REGARDING THEIR WEALTH

EARN TAX-FREE INVESTMENT INCOME WITH A TFSA

Introduced by the federal government in 2008, the tax-free savings account (TFSA) is a flexible investment savings account that allows you to earn tax-free investment income (including capital gains). It's not a traditional savings account, rather another type of investment account, just as registered retirement savings plans (RRSPs) or registered education savings plans (RESPs) are plan types.

The TFSA can be used to meet a variety of financial security planning needs, such as:

- Retirement saving
- Saving for vacation
- Major purchases
- Parental leave
- Income splitting

Eligibility

Every resident of Canada who is age 18 or older and files an income tax return is eligible to contribute to a TFSA.

Why have a TFSA?

Today, if you save or invest outside of an RRSP, you receive a T3 or T5 tax slip each year and claim the investment income on your tax return. When you contribute to a TFSA, you're not taxed on the investment income earned inside this account, which results in tax savings.

Contributions: \$5,000 per year for life

Starting in 2009, the annual contribution limit is \$5,000, regardless of how much income you earn. The Canada Revenue Agency (CRA) will notify you of your contribution room for each year. A one per cent per month penalty tax applies for over-contributions.

Withdraw any time, for any purpose

The money you accumulate in a TFSA can be withdrawn at any time without tax consequences, and without affecting any federal income-tested benefits or tax credits you may be eligible for such as old age security, guaranteed income supplement, the age credit, the goods and services tax (GST) credit or the Canada child tax benefit. There are no time

limits for withdrawing and no restrictions on how you spend your money.

Withdrawals increase your contribution room in the year following the withdrawal, allowing you to save again for another purpose.

Contact Hugh today to determine how the TFSA fits into your financial security plan.

Season Greetings
FROM THE RAWLING FAMILY



Cathedral Grove, Vancouver Island, BC, August 2008

HOW TAX-FREE SAVINGS ACCOUNTS FIT WITH LIFE INSURANCE

When used properly, the new federal Tax-Free Savings Account (TFSA) can allow you to grow and later access your savings tax-free, within the limits set out by the Canada Revenue Agency. This flexibility will surely change the way Canadians invest and save their money. But how does the TFSA fit into your overall financial security plan?

One key principal to remember is to never sacrifice your life insurance protection just to fund a TFSA. Life insurance is a vital cornerstone of a solid financial security plan. It helps you prepare for the uncontrollable events in life, which could otherwise derail your carefully thought-out investment strategy.

How to use each vehicle for maximum advantage

For many Canadians, the choice isn't either/or. It's how to make best use of each tool within your overall financial security plan.

Think about how much protection you need. If your family needs \$500,000 to replace lost income and pay debts, a \$5,000 per year TFSA falls far short. Life insurance exponentially leverages your premium payments to create an instant, tax-free estate. It pays the full death benefit, even if the insured person dies the very first day the policy is in effect.

Use life insurance first, to give your family a foundation of financial security.

Then consider adding a TFSA to grow your savings on a tax-advantaged basis.

Talk to Hugh about creating a financial security plan to maximize the value of both life insurance and TFSAs.

Monday, March 2, 2009 is the deadline for RRSP contributions to use against 2008 earned income.

RRSP CONTRIBUTION LIMITS

Year	Limit
2008	\$20,000
2009	\$21,000
2010	\$22,000

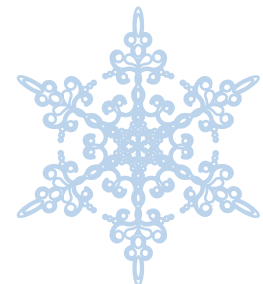
IMPORTANT YEAR-END TO-DOS

Giving to charity: Two years ago, the Conservative government eliminated tax on "in-kind" donations of securities, mutual funds and segregated funds to registered charities. If you're giving cash, property or securities, make sure all donations are made by Dec. 31, 2008 to realize the tax benefits on your 2008 income tax return.

Final payments: Must be made before Dec. 31, 2008 to claim a tax deduction in 2008 for items including alimony payments, child-care expenses, interest expenses on money borrowed to earn investment income and investment counselling fees.

RESP deposit: Dec. 31, 2008 is the deadline to make a registered education savings plan (RESP) deposit to get a matching Canada Education Savings Grant (CESG) grant for 2008.

TFSA account: While you can't make a deposit to a TFSA until Jan. 1, 2009, it's a good idea to open your account before Dec. 31, 2008 so you can start saving as soon as possible in 2009.



**RAWLING
FINANCIAL
INC.**

Hugh Rawling, CFP, CLU, CH.F.C.

Financial Coach

Rawling Financial Inc.

Suite 420, 200 Queens Avenue, London, ON N6A 1J3

519-963-4400 • Toll free 1-866-963-4400 • Fax 519-963-4402

Customer Care Line: 519-963-4401 • Toll free 1-866-963-4401

E-mail: hugh@rawlingfinancial.com • admin@rawlingfinancial.com

Website: www.rawlingfinancial.com

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