

Wise Investor



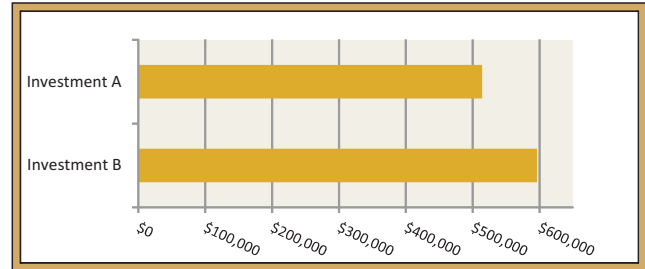
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How CBAF's lower fees help you save more.

When you shop around for a mortgage, you look for the lowest rate. A mortgage is a long-term commitment and finding the best rate reduces your cost and helps your dollar go further. The same can be said of your retirement savings choices.

When you purchase investment funds, you pay an Investment Management Fee (IMF) or a Management Expense Ratio (MER). This is the fee that investors pay to cover the costs associated with the administration and management of the fund. The lower your fee is, the more you will save. Similar to your mortgage rate.

Let's assume that you would like to invest \$1,000 a month and you have a choice of two investment options. Investment A has an IMF of 2.5% and Investment B has an IMF of 1.5%. Both investments have a 6.5% annualized gross return. At the end of 25 years, Investment A will be worth \$514,000, and Investment B will be worth \$596,000!



If you chose investment B, with the lower IMF, you will have an additional \$82,000!

Many Canadians don't pay attention to the fees that they pay on their investments. But looking for the lowest investment fee is just as important as shopping for the lowest mortgage rate. Fortunately, as a member of Canada's legal profession, you have access to some of the lowest fees available through CBAF.

Visit barfinancial.com for more information.

Important information about the RRSP deadline and TFSAs.

The deadline for your 2012 RRSP contribution is midnight on **March 1, 2013**. The maximum contribution amount for 2012 is 18% of your earned income up to \$22,970.

The maximum contribution limit for Tax Free Savings Accounts increases from \$5,000 to \$5,500 in 2013.

Don't miss the deadline! Contact your CBAF Representative by calling 1-888-707-2911 or visit barfinancial.com today.

The Mawer Canadian Equity fund does it again!

For the second year in a row, the Mawer Canadian Equity fund has been awarded Best Canadian Equity Fund by Morningstar. Last year we were excited to announce the addition of the MLI Mawer Canadian Equity fund to the CBAF fund selection.

This is just one example of how CBAF strives to ensure that you have access to high-quality investment options that offer a combination of stability, long-term performance and low management fees. If you have not had a look at our fund selection lately, please visit barfinancial.com or call your CBAF sales representative.



Spousal RRSPs can increase retirement income.

By now you probably know the value of investing in an RRSP, both as a savings vehicle for your retirement and as an efficient means to defer income tax. Did you know that you can contribute to a special RRSP on your spouse's behalf to reduce income tax at retirement? This is referred to as a *Spousal RRSP*. A Spousal RRSP is not the same thing as a regular RRSP owned by your spouse. It allows you to income-split with your spouse at retirement and has its own set of rules.

What is income-splitting?

Income-splitting offers Canadians an opportunity to work within the graduated income tax system in order to minimize a household's overall tax burden. This is done by shifting income from a higher-income earner to one or more lower-income earners so that the same amount of income is taxed at a lower rate.

Spousal RRSPs allow a couple to share retirement contributions to create a retirement fund for both partners. The higher-income earner can choose to contribute to his or her own RRSP, a spousal RRSP, or both. The immediate benefit to the contributor is that they receive the full tax deduction regardless of which RRSP gets the contribution. However, in the long term, income will be available for withdrawal by each spouse during retirement, reducing the amount of tax.

How does it work?

Let's look at an example. John's earned income is \$100,000 a year. His wife, Jane, does not work. Based on his income John can contribute up to \$18,000 for the 2012 tax year. He

can contribute this to his own RRSP, to a Spousal RRSP, or he can divide his contribution between the two. No matter how he distributes his contribution, he cannot exceed his personal contribution limit and he will receive the tax deduction for the full amount of his contribution.

If John were to contribute to his RRSP only, at retirement he would have a very large retirement fund while Jane would have nothing. Let's assume that John and Jane require \$100,000 of income. John would have to withdraw the full amount from his RRSP and would be taxed accordingly. If John had contributed to a Spousal RRSP, he and Jane could each withdraw \$50,000. They would receive the same \$100,000 income but it would be taxed as two \$50,000 incomes. They would pay less tax and have a higher net income to enjoy their retirement.

The three year attribution rule

When considering a Spousal RRSP, it is important to understand the three year attribution rule. This rule simply states that if your spouse withdraws from their Spousal RRSP within three calendar years of the last contribution, the withdrawal is attributed back to you and treated as income on your tax return. This rule is designed to prevent a higher-income earning spouse from contributing to a spousal RRSP to have the funds immediately withdrawn and taxed to the lower-income earning spouse.

For more detailed information regarding Spousal RRSPs, or to enrol your spouse in a **CBAF Spousal RRSP**, please contact your local CBAF Representative.

Help your family and staff save money.

If you have insurance needs, please consider the many low cost, high quality insurance plans sponsored by The Canadian Bar Insurance Association (CBIA).

The CBIA assists legal professionals, their families, and law firm staff by arranging a wide range of superior designed insurance products at the lowest possible cost. Plans include life, disability, health, travel medical, home and auto, and more.

It's easy to contact us. Your CBAF representative is also your CBIA representative. To learn more or to speak with your local sales representative, call 1-800-267-2242 or visit barinsurance.com.



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