

# TFSAs versus RRSPs

**Want to know more about them? Check this out.**

The new Tax-Free Savings Accounts (TFSAs) are creating a lot of buzz, and with good reason. They are the most powerful new investment option to appear in Canada since the advent of RRSPs more than half a century ago.

Several financial institutions have already begun marketing the new plans and articles about them are appearing in the media, but many people still aren't aware of them or don't understand how to use them to save thousands of dollars. For some people, there still remains a TFSA/RRSP dilemma. Should you contribute to a TFSA or an RRSP.

Officially, the Department of Finance takes the position that it doesn't matter which plan you choose. All things being equal, the final after-tax result will be the same whether the money is invested in a TFSA or an RRSP according to a table published as part of the 2008 budget documents.

The problem, of course, is that all things are rarely equal. People have different priorities, expectations, risk tolerance levels, etc., and age is an important factor in the overall calculation. Here are three situations in which TFSAs are a better choice than RRSPs.

**Pension plan members:** Anyone who belongs to a pension plan loses RRSP contribution room because of the "pension adjustment" (PA). The more generous the plan, the higher the PA will be.

Employees with a defined benefit pension plan are likely to have a high PA. As a result, those in higher income brackets may find they have little or no RRSP room left after the PA has been deducted. In this situation, TFSAs offer a valuable new alternative for supplementing pension income. By making the maximum possible contribution each year, you can build a tax-paid nest egg that will provide extra income that can be used for travel, a Sunbelt home,

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## Something to *chew* on – the concept of growing your own new natural teeth

First there were dentures and bridges, next dental implants, now the possibility of actually growing your own new natural teeth. Dental experts are experimenting with adult stem cells and their ability to help grow dentin (calcified tissue of the body) along with enamel, cementum and pulp, the four ingredients necessary for growing new teeth. If advances in stem-based dentistry continue, it could mean that in the next five to ten years a patient could ask the dentist to inject stem cells in the tooth area to grow a real tooth, rather than having a bridge, wearing a denture or having an implant.

# Your BenefIT News

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## FACTS & FIGURES:

### Life Insurance Ownership in Ontario

- 7.5 million residents own \$1.2 trillion of life insurance, more than 50% was individual insurance
- \$78.7 billion in sales in 2006
- Average individual policy \$161,400
- Average household \$325,600
- 72% of new insurance purchased was individual policies. Average policy \$219,900

Source CLHIA

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paying for a grandchild's post-secondary education, helping the kids buy a first home, etc.

**Modest-income Canadians:** Earlier in this decade, the C.D. Howe Institute published several reports that were critical of the way in which low-income savers were penalized by government policies when the time came to draw on their RRSP or RRIF accounts. The most scathing denouncement was contained in the 2003 study by Dr. Richard Shillington titled *New Poverty Traps: Means Testing and Modest-Income Seniors* in which he effectively accused governments perpetrating a massive fraud by encouraging modest-income people to contribute to RRSPs.

Dr. Shillington's message was that all those with less than \$100,000 in retirement assets are "futile savers" because they will probably need financial support from governments after they stop work. Those benefits will be reduced or even eliminated if there is any income from RRSPs and RRIFs. (Every dollar in income from one of those plans reduces a Guaranteed Income Supplement benefit by fifty cents.)

Using a TSFA instead of an RRSP will eliminate that problem, at least on the federal level. The government has ensured that TSFA withdrawals will not be treated as income nor will they be taken into account when calculating eligibility for GIS, tax credits, Employment Insurance, etc. (The provinces still have to take action to provide similar treatment for programs they deliver.)

So if you have modest income you should be encouraged to favour TSFAs over RRSPs for retirement savings purposes, even when the amounts when the amounts being put aside are small.

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## READ BEYOND THE HEADLINES

News stories about economic downturns, talks of recession, reduced commodity prices (oil, gas etc.), a falling Canadian dollar, bankruptcies and U.S. government bailouts may create concerns. However, market swings are not new.	Historically, markets bounce back over time			
	Crisis	Drop in S&P 500* (per cent in number of weeks)	Six months later	One year later
Every market has its ups and downs. These movements are part of any normal market cycle. It's easy to become nervous with the unsettling daily headlines and articles about the state of the financial markets. During down markets, investors are often distracted by short-term declines. Those who maintain a long-term perspective tend to be rewarded for their buy-and-hold strategy.	Sputnik, October 1957	-10% in 3	+8%	+30%
	Steel price rollback, April 1962	-20% in 8	+11%	+24%
	Liquidity crisis, May 1970	-12% in 4	+16%	+42%
	Nixon resignation, August 1974	-19% in 5	+30%	+27%
	Currency crisis, October 1978	-11% in 3	+8%	+16%
	Interest rate rise, September 1981	-13% in 4	+8%	+12%
	Iraq invades Kuwait, August 1990	-20% in 12	+28%	+30%
	Asian currency depreciation, March 1997	-10% in 2	+29%	+36%
	Sept. 11, 2001 U.S. tragedy	-12% in 2	+19%	-6%

# Chiropractic and Hypertension

Have you been diagnosed with hypertension, more commonly known as high blood pressure? If not, would you even know you had it? Do you know what the symptoms are? Usually there aren't any – that's why it's called the "silent killer." Many people discover they have it through some catastrophic, life threatening, and often fatal event, such as a stroke or heart attack.

Those who do have symptoms generally experience headaches, blurred vision, and dizziness – and these symptoms may lead them to their doctor's office where hypertension is diagnosed after a blood pressure check.

Since one in four adults are diagnosed with high blood pressure, this is a condition that requires careful and frequent monitoring, especially if there is a family history of the disease.

Causes of hypertension? The list is extensive – and high salt intake, obesity, genetics and kidney failure rank high on that list. However, other conditions such as substance abuse, smoking, heavy alcohol consumption, pregnancy, high cholesterol, thyroid disorders and certain prescription medications may also contribute to its onset.

Treatment for high blood pressure usually includes one or more of the following – medication, exercise, diet therapy, smoking cessation, reducing alcohol consumption, and weight loss.

However, the results of a promising new study recently appeared in the *Journal of Human Hypertension*, WebMD, *Science Daily* and on a number of television news shows. The study was conducted by George Bakris, MD, director of the Hypertension Center at the University of Chicago Medical Center, and Marshall Dickholtz, Sr., DC, of the Chiropractic Health Center in Chicago.

Fifty participants with diagnosed high blood pressure participated in the study; 25 received specific adjustments to the first vertebra of the spine, known as the atlas. The other 25 received "sham" adjustments (placebo). Immediately after, the 25 who received the "real" adjustments experienced a significant decrease in blood pressure, while those who received the sham adjustments showed no change. The results remained the same eight weeks later.

It is also notable that although participants took no blood pressure medication during the eight-week study, the "real" atlas correction had the effect of two blood pressure medications taken in combination.

Finally, chiropractic is getting some notable press from the medical community and with good reason. When you address causes of illnesses, rather than just alleviate symptoms, through spinal corrections that "free" up the nervous system to work as it is intended, real miracles occur! Just ask to see our patient testimonials!

Compliments of Streetsville Chiropractic & Wellness Clinic  
Dr. Vincent Sinclair (905) 826-0900

Learn more at: [www.streetsvillechiropractic.com](http://www.streetsvillechiropractic.com)



A new study shows chiropractic care can have a significant influence among those with high blood pressure.

## Cancer Drug Trends

- Western provinces are the leaders in providing new cancer drugs.
- Ontario is well behind the Western provinces; Ontario fully funds the lowest number of cancer drugs.
- It is more of a challenge for patients with less common cancers to access drugs because there is only a small market for them and no incentive for approval in Canada.
- Access to new cancer drugs that may not yet have received Health Canada approval or provincial funding is sometimes possible through the manufacturer's compassionate access or expanded access programs.

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*Providing a unique and holistic approach to group insurance.*

**No earned income:** You cannot make an RRSP contribution unless you have what the government calls “earned income”. Essentially, this is money earned from employment but some other types of income also qualify such as rents and alimony. Investment income is not included in the calculation nor are pension payments whether from government or a private plan. So if you don’t have any earned income, or if the amount is small, TFSA's become the retirement savings vehicle by default.

Years ago, the typical family had one wage-earner, usually the husband. The wife remained at home and raised the children. Such families are less common today but they still exist. In this situation, the wife is not able to save independently for her retirement through an RRSP because she has no earned income. The husband can make a spousal contribution on her behalf, of course, but unless he is willing to do so she is out of luck. If the marriage breaks down or the husband mishandles the savings, she could be in financial difficulty in her later years.

Now she has an option: a TSFA. She does not need to have earned income to set up a personal retirement account. If she has some money of her own (perhaps from an inheritance from her parents) she can contribute some of it to the plan. Alternatively, her husband can give her the money to contribute since income attribution rules will not apply in this case.

**To start your own personal TFSA or to get more information contact Gary White**

## Back to basics: A downloadable household balance sheet

 A close-up photograph of a spreadsheet used for household budgeting. The spreadsheet has columns labeled with values like 99.99, 99.9, and 99.8. Rows are numbered 7, 8, and 9. The cells contain various colored bars and numbers, representing different financial categories and their values.

*A household balance sheet opens up a lot of discussion*

The economy and credit crisis have affected nearly everyone.

Most may not have lost their jobs but their salaries have likely been frozen at 2008 levels. Executive bonuses have been reduced — if not cut altogether — and stock options have dried up. Meanwhile, the price of everything from groceries to property taxes has increased, meaning less money is available for leisure items or retirement savings.

For many clients, this economic crisis has meant a return to the basics. That's why Diane McCurdy, president of Vancouver-based McCurdy Financial Planning Inc., and author of *How Much is Enough* has been giving all her clients her household balance sheet. The idea is to revisit where their money is going and whether certain expenses still make sense. "Priorities are different for everybody," notes McCurdy. "It's a good time to re-determine what are needs versus what are wants." Feel free to download your own personal household balance sheet at [www.advisor.ca/images/other/h/householdbalancesheet.xls](http://www.advisor.ca/images/other/h/householdbalancesheet.xls)