

DIRECTION

KEEPING YOU INFORMED ♦ TAX & INVESTMENTS

Shah Financial Planning Inc. • Telephone: 416-298-4900 • Jan 2009 • Issue 21



Tax-Free Earnings!

Shah Financial Planning Inc., offers Tax-Free Savings Account (TFSA). You pay **NO** tax on earnings in this account. This is a new general-purpose tax efficient account eliminating double taxation as well as it complements registered savings plans like RRSP and RESP. You should know the following about the TFSA:

1. All Canadian residents can open a TFSA if they're 18 years of age or older and have filed a tax return.
2. The TFSA will let you invest while not being taxed on the interest, dividend and capital gains earned.
3. You can contribute \$5,000 per year, which is indexed to inflation.
4. You don't lose contribution room, if you don't make the maximum contribution. You can carry forward unused contribution room for unlimited years.
5. You can withdraw any amount any time. All the withdrawals from an TFSA reestablish contribution room in the following year. Remember that you cannot put the withdrawn money back in the same year.
6. Investors with low risk tolerance and/or those who are investing for a short term, can earn tax-free interest by investing into highly-taxed fixed income investments: High-Yield Savings, GICs, Term Deposits and etc.
7. Investors with medium to higher risk tolerance and/or those who are investing for a long term, can earn tax-free interest, dividends and/or capital gains by investing into various mutual funds, stocks and etc.
8. You can make "In-kind" contribution by transferring other investments into an TFSA.
9. Unlike an RRSP, your contribution to a TFSA is not deductible from your income on your tax return, and the interest you earn will not be taxed.
10. Money you take out of your TFSA will not affect federal income-tested benefits and credits, so you're not penalized for saving.
11. You can open multiple TFSA accounts at Shah Financial Planning within your contribution limit with various

investments suitable to your objectives, with a yield of more than 3%.

Bottom Line: Why pay tax on interest if you could open this new TFSA? You should maximize RRSP contributions, then maximize TFSA contributions and then make investments into Non-Registered accounts. In order to build up wealth, you should have all these three accounts. *By: Ekta Chauhan, CEO*

TAX-FREE
Savings Account **3.50%**

Minimize Your Income Tax & Maximize Your Tax Refund

As an income tax preparer, we would like to assist you in your Tax Planning. A better tax planning will minimize your tax bill and will ease filing your tax return. Tax planning is not just us giving you tips on tax and investments, but it also requires a year round commitment of implementing some strategies and organizing applicable documents. We can have a separate meeting on tax planning and discuss suitable strategies on tax and investments, but not when preparing your tax return.

Now is the time to collect all income slips and expense slips you might have already received or will be receiving from various sources. Individual taxpayers should organize their receipts for charitable donations, childcare costs including daycare and qualified summer camps, moving and medical expenses. Business owners should organize their receipts for revenues and expenses by categories. In order to prepare your 2008 tax return efficiently, you should collect and organize all the necessary slips and documents by grouping and categorizing them. Commonly, some tax payers forget to bring in their T2202A slip signed by the student. This slip is for transferring students' Tuition, Education and Textbook expenses to parents/spouse. Students can download the slip from their educational institutions. Have any doubts about slips, receipts, or documents whether they would be required or beneficial to you for tax purposes, simply call our office or bring it to us. Certainly, make a note of all your concerns and questions needed to be addressed by us before we start preparing your tax return. When clients are better organized, they minimize the tax preparation fees, as that reduces tax preparation time as well as it assists in preparing error-free tax returns.

By: Hardip Dipa Shah, Senior Tax Advisor

RRSP Loan @ Prime + 1.50%

Investment Loan @ Prime+3.00%

Rates are subject to change and depend on the Investment Purchase Options.

Market Pulse • Outlook!

We all have been experiencing worldwide markets' turbulence since July 2007. The 2008 year-end statements have significant lower market values. The emotional response to the statement must have been challenging, especially for those investors who had perceived the market value (unrealized paper loss) as a real loss. Investors with long term objectives should be focussed on the future values instead of the current values of their investments. Retirees should know that retirement will last longer than this market correction. When investors with short term objectives might have invested in cash or cash equivalents, hence the current value of their investments should be according to their objectives and risk tolerance.

The magnitude of the markets' decline was unexpected and it reminds us of the "Great Depression." We believe that no matter how bad things may look, one fact remains: markets will go up again surely as they came down. Notably and unprecedented initiatives implemented by worldwide governments (G20) and central banks globally, to overcome the credit freeze and move forward. Their initiatives included stimulating packages, and sweetening fiscal and monetary policies. A storm damages more or less but it ends.

National Bureau of Economic Research (NBER) recently announced the peak of the last cycle came in December 2007. It is expected that consumer prices will drop in the near term. We will see record levels of deflation. Interest rates will drop further and eventually, people will start to "consume" stuff at lower prices with cheaper "capital." For the USA it seems that the recession will end prior to the end of 2009, if not late summer 2009. Because (i) House prices should stop declining by mid-2009, (ii) Government programs already announced - i.e. TARP, CPFF, TALF - will begin to have an impact in 2009-Q1 and beyond, (iii) Significant infrastructural spending a minimum of \$700 billion, should start around mid-year 2009 - perhaps sooner, (iv) If the recession started in December 2007, it will be one of 18-21 months' duration. Sustainable growth will only resume when the rest of the world - the U.S. in particular - recovers from recession. In general, equity markets advance six months prior to the beginning of economic recovery. 2009-summer could see the beginning of recovery in equities. Technical indicators suggest that North American equity indexes reached an intermediate low on November 20, 2008, with S&P 500 at 741.02, the Dow Jones Industrial Average at 7,449.39 and the TSX Composite at 7647.11. Since then they have started to recover. If history is a guide, equity markets will then make their final bottom for this cycle by April-May! However, the current markets offer an excellent opportunity for investments, as equities are well discounted than its fair market value.

*Complied By: Narendra Shah, B.Sc., PFP,
Sr. Financial Advisor*

Welcome Abroad!



Rajendra Saraf

Rajendra (Raj) Saraf who has joined our team at Shah Financial Planning Inc., as a Financial Advisor. He joins us with C.A. (India) and CGA. He also has several years experience in the financial industry and adopting various investment strategies.

Pramod Chopra

Pramod Chopra who has joined our team at Shah Financial Planning Inc., as a Financial Advisor. He joins us with a Bachelor of Science (Hons), with training and experience from Desjardins and Investors Group, as a Financial Advisor.



Ajai Srivastava



Ajai Srivastava who has joined our team at Shah Financial Planning Inc., as a Financial Advisor. He joins us with a Bachelor of Commerce, Bachelor of Law, and experience and training from W. H. Stuart, as a financial advisor.

We wish all our newly joined advisors at Shah Financial Planning Inc., the best for their professional client focused services.

Accounts with Canadian Banks!

Do you have RRSP, RESP, or Investment accounts with TD Canada Trust, CIBC, or Royal Bank? Do you have any difficulties in dealing and managing accounts with the banks? Shah Financial Planning Inc., can help you in managing your investments with the same banks at no cost.

24/7 Online Accounts Access!



Tips on Tax & Investments!

Would you like to have online access to your accounts with Shah Financial Planning Inc.? Would you like tips and important information on Tax and Investments? You may email your request to Admin@ShahFinancial.ca.

Benefits of Pension Splitting

You can split up to 50% pension income with your spouse. This is a great strategy to: (i) minimize your income tax, (ii) doubling of pension income credit, (iii) reducing net income grind of age credit, (iv) avoid/minimize Old Age Security clawbacks. If you are under age 65 and receiving pension (of Define Benefits or Define Contribution) from your former employers, than

you could split this income with your spouse. If you are above age 65 and receiving income payments from RRIF, LIF, LRIF, than you could split this income with your spouse. To find out whether you have eligible pension income or could be benefited by splitting the income with your spouse, you may contact us.

By: Hardip Dipa Shah, Senior Tax Advisor

The Four Blessed Looks!

- ❑ Look back and "Thank" God.
- ❑ Look Forward and "Trust" God.
- ❑ Look around and "Serve" God.
- ❑ Look within and "Find" God.

"Without God, our week is: Mourn-Day, Tears-Day, West-Day, Thirst-Day, Fight-Day, Shatter-Day, and Sin-Day. So, allow Him to be with you ever day!"

Guarantee on Original Investments by Mutual Funds

There are mutual fund portfolios (Fund) available where the original investment is guaranteed if held to the maturity date (Date). At that Date, all investors in the Fund will receive the amount, which is based on the highest automatically locked in daily unit price from inception to the Date regardless of when the highest unit price occurred or when you had invested in the Fund. This means investors can capture past peaks, even if the Fund later suffers a drastic drop. You can also purchase or redeem any units at the market price, prior to the maturity date.

RRSP's Age Limit Increased

The age limit to convert RRSPs to an RRIF has increased from 69 to 71. This change offers individuals two more years of tax-deferred growth while the funds remain in the RRSP, also strengthening incentives for older Canadians to work and save for two more years.

Creditors Protection for RRSP with Mutual Funds

Since July 2008, creditors cannot take-away money from RRSP, RRIF and DPSP upon bankruptcy. However, any money added into RRSPs 12 months prior to bankruptcy can be taken by creditors. Now your RRSP accounts with mutual funds are protected from creditors, therefore no need to invest into costly segregated funds for bankruptcy protection against RRSP accounts.

Education Plan (RESP) Brings More Benefits

Now more can be contributed to a Registered Education Savings Plan (RESP)! The following are the changes to the RESP.

- ❑ The life time maximum contribution amount has increased from \$42,000 to \$50,000.
- ❑ The previous annual contribution limit of \$4,000 has been eliminated.
- ❑ The maximum annual contribution for 20% basic grant has increased from \$2,000 to \$2,500.
- ❑ Increased the maximum basic grant per beneficiary to \$500 from \$400, annually.
- ❑ With available carry forward contribution, the maximum basic grant in any calendar year is \$1,000.
- ❑ Contributions to a plan are allowed up to the age of 31 for a Beneficiary.

- ❑ RESP plans will be terminated after 35 years from its inception.

Unlocking the Locked Pension

Currently, federally and provincially regulated locked pension accounts have provision of unlocking funds. With the current and new regulatory provision, now pensioners can unlock their funds under the provisions of: One-Time Unlocking, Small Balance Unlocking, Financial Hardship Unlocking. Addition to this provincially regulated accounts, it can be unlocked for Shorten Life Expectancy and Non-Residents.

How Stock Markets Works? 😊 Monkey Business!

Once upon a time, in a village, a man appeared and announced to the villagers that he would buy monkeys for \$10 each. The villagers went out to forest and started catching monkeys. The man bought thousands at \$10 and, as supply started to diminish, the villagers stopped their efforts.

The man further announced that he would now buy at \$20 for a monkey. The villagers started catching monkeys again. Soon the supply diminished even further and villagers started going back to their farms. The offer increased to \$25 each, and the supply of the monkeys became so small that it was a great effort to even find a monkey. The man now announced that he would buy monkeys at \$50! However, since, he had to go to the city on some business, his assistant would now buy on behalf of him.

In the absence of the man, the assistant told the villagers. "Look at all these monkeys in the big cage that the man has collected. I will sell them to you at \$35, and when the man returns from the city, you can sell them to him for \$50 each." The villagers rounded up all their savings and bought all the monkeys. They never saw the man nor his assistant again! Now you have a better understanding how the stock market works.

Do You Know? @ Shah Financial Planning:

- You can invest in ISLAM'S Shari'ah Compliant Mutual Funds investing in equities and Sukuk through us.
- You can obtain RRSP loans at Prime + 1.50%. Also, you can obtain loans for "Borrowing to Invest."
- You can open High-Yield savings (CAN\$ & US\$) and GIC accounts at Shah Financial Planning, where accounts can be held at ING, Manulife and MRS Trust.
- You can have 24/7 online account access with valuable reports including growth and returns on your investments.
- You can receive monthly emails with tips & information on tax & investments.
- You can email us inquires for quicker responses.

Career Opportunity!

- Part-time and full time Financial Advisors with excellent payout, full training, and support.
 - Experienced part-time and on request accountants.
- Please Contact Ekta Chauhan at 416-298-4900, Ext. 106.*

Our Services

One Window for All Your Financial Needs

We have several years' of financial planning experience for individuals and business clients. We ensure providing trust worthy services. We discuss and analyze clients' concerns and identify their financial problems to meet their objectives and goals. We offer unbiased solutions for their consideration.

- Insurance Products:

- Travel • Term • Whole Life • Universal Life • Disability • Critical Illness
- Long-term Care • Health Plan • Segregated (SEG) Funds • Annuities
- Key Person • Business Overhead • Buy & Sell Agreement

■ Registered and Non-Registered Accounts:

- *Registered Accounts:* RESP, RRSP, RRIF, LIRA, LIF, TFSA, and other registered accounts.
- *Non-Registered Accounts:* Investment/Open and High Interest Savings and other non-registered accounts for individuals, minors and businesses.

■ Products Offered:

- Investment Products:

- Mutual Funds of Various Categories and Fund Companies
- Labour Sponsored Investment Funds (LSIF)
- Portfolios, Wraps, and Pools Products
- Principal Protected Notes (PPN)
- Loans for Registered and Non-Registered investments

- Deposit Products:

- GIC • Term Deposits • High Interest Daily Savings Accounts

■ Other Services:

- EFILE - Tax Preparation • Bookkeeping • Accounting • Tax Planning • Education Planning • Investment Planning • Retirement Planning
- Insurance Need Analysis and Planning • Estate Planning • Savings Planning • Net Worth Analysis • Cash Flow Analysis • Budget & Savings, and Mortgage Analysis • Severance Package and Employer Pension Analysis
- Strategies of Wealth Creation.

■ Value Added Other Services for Clients:

- 24/7 Account Access with Various Reports • Periodic Email - "Keeping You Informed on Tax & Investments" • Semi-annual Newsletters - "DIRECTION" • Portfolio Review Between May to December • Educational Lunch/Dinner Seminars • Small Group Seminars • Complimentary Consultation or a Second Opinion on Portfolios

We highly appreciate your support by introducing your family members, friends, co-workers, and relatives for our services.

No Inner Peace Without Financial Security

◆ Deal Directly with an Independent Mutual Fund Dealer (MFDA Member), and Life Insurance Broker ◆

Disclosure: Shah Financial Planning Inc. (SFP) is a mutual fund dealer, its employees and agents' activities are related to other gainful occupations, including some of the above listed services of Shah Tax & Investment Services, and Shah Life Insurance Brokers Inc., and any other services are not businesses and responsibilities of SFP. We may refer our clients to our other associates when qualified opinions are required.

Disclaimer: Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing. Copies are available from your financial advisor or dealer Shah Financial Planning Inc. We advise seeking professional advice before making any financial planning decision as information of this nature is constantly changing. Estimates and projections contained herein are our own. Based upon information obtained from sources we believe to be reliable, however, it is not warranted or guaranteed either as to its accuracy or completeness. A sale of securities can only occur after you have read the appropriate offering memorandum or prospectus. We will not assume liability for financial planning application based on the opinions and articles herein.

SHAH

FINANCIAL PLANNING INC.

3459 Sheppard Avenue East, Suite 204,
Scarborough, ON M1T 3K5

Phone: 416-298-4900

Fax: 416-298-9759

Email: info@ShahFinancial.ca
www.ShahFinancial.ca



Narendra Shah
President



Ekta Chauhan
CEO



Dipa Shah
Tax Advisor



Neetu Kahlon
Office Administrator

----- Office Hours -----

: February To April :

Mon - Fri ☞ 9:00 a.m. To 6:00 p.m.
Sat - Sun ☞ 11:00 a.m. To 4:00 p.m.

: May To January :

Mon - Fri ☞ 9:00 a.m. To 5:00 p.m.
Thu Only ☞ 9:00 a.m. To 6:00 p.m.

----- Financial Advisors -----

<u>Scarborough</u> Rakesh Dutta 416-816-6778	<u>Scarborough</u> Mukund Sheth 416-839-9645	<u>Scarborough</u> Ajai Srivastava 647-244-8915	<u>Scarborough</u> Pramod Chopra 416-560-6951	<u>Markham</u> Guru Desu 647-896-0487	<u>Markham</u> Ajay Khanna 416-560-0141	<u>Vaughan</u> Dipesh Chauhan 416-435-6096	<u>Pickering</u> Ranbir Singh 647-408-5013
<u>North York</u> May Cheung 416-936-8848	<u>Brampton</u> Gurbinder Singh 416-272-8189	<u>Etobicoke</u> Rajendra Patel 416-876-5930	<u>Etobicoke</u> Ashish Shah 416-833-7172	<u>Mississauga</u> Amit Shah 647-296-2609	<u>Mississauga</u> Raj Saraf 416-951-8228	<u>Thornhill</u> Boris Tarasyuk 416-356-4543	