

NAVIGATOR



Guidance at every turn

December 2008

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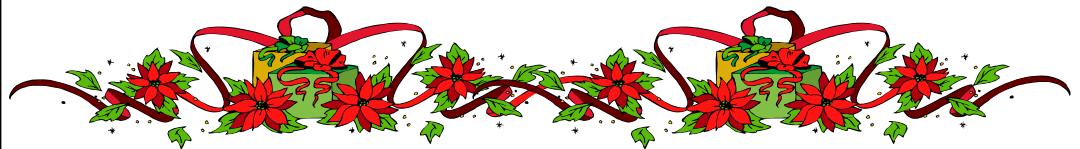
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HOLIDAY HOURS

For the holidays, the office will be closed from 4:00 pm on December 23rd to the 28th and from 2:00 pm on December 31st until we reopen on January 5th, 2009.



To our clients and friends, we take this opportunity to extend our sincere thanks for your patronage and help, and to wish you good health, happiness and prosperity for the coming New Year.

Each year, to mark the holiday season, we make donations to worthy causes. This year, with you in mind, we are pleased to make contributions to the **Salvation Army** and the **Daily Bread Food Bank**.

In addition, everyone at Stern Cohen is participating in the Yonge Street Mission holiday toy drive. The Yonge Street Mission also accepts cash donations to help provide people, who otherwise could not afford it, with a Holiday meal. Therefore, for every toy collected at the firm, Stern Cohen will donate cash toward holiday meals.



TAX FREE SAVINGS ACCOUNTS

The 2008 federal budget, introduced a new tax efficient savings option entitled the **Tax Free Savings Account (TFSA)**.

The TFSA will be available as of January 1, 2009 to all Canadian residents who are at least 18 years of age and have a social insurance number. The maximum that can be contributed to the account is \$ 5,000 per year. Contributions are not tax deductible, but any investment income earned in the account is tax-free. Like an RRSP, if you do not contribute in any given year, the unused contribution room is carried forward indefinitely. Withdrawals are not taxable and create new contribution room.

Consider speaking to your Stern Cohen contact to discuss how to incorporate a TFSA in your financial plan.

THE VOICE MAIL BARRIER

You have just returned from a successful trade show or conference and have accumulated a stack of business cards from attendees who expressed a high interest in your company's products or services.

Several people asked you to call them to arrange a meeting to learn more about what you have to offer. But when you follow up by calling these "hot prospects", you repeatedly reach voice mail. You leave a message but the very people who expressed interest when you met are not responding. You call again and again and are still unable to make personal contact. How can you have a live conversation if you repeatedly reach voice mail?



Strategies for Connecting

Customer development efforts in the age of voice mail can be frustrating. How do you break through the voice mail barrier? One strategy is to call during off-hours, either early in the morning or later at night, since some people forward their outside calls to voice mail during regular office hours.

But if you still do not connect, should you keep calling in hopes of reaching the person or continue leaving voice mail messages? Consider doing both. But to avoid being perceived as a voice mail "spammer", do not leave more than two voice mail messages in a week. Then wait a month or so before trying again.

Sometimes it is helpful to transfer to the receptionist. That way you can often verify whether the person you are trying to reach is away on business or vacation and find out when he or she is expected back in the office.

Plan Your Message

Choose your words carefully when leaving a voice mail message. Stress how much you would like to speak with them and that you will not take up much of their valuable time when they return your call. In follow-up calls, be careful not to embarrass a prospect for not returning your calls.

Think about your message in terms of an advertising commercial. Include an interesting fact about the products or services you offer. Keep it brief - a long voice mail may be deleted before the person listens to the entire message.

Is there a connection between you and the person you are calling? If so, mention that in your message. You may have a mutual colleague, belong to the same business association, or have found helpful follow-up information after the conference you both attended. People like to be noticed.

Overall, make sure that whenever you leave a voice mail message, your tone is warm, friendly and upbeat and your message is interesting and pleasant.



If at First

If you have called, left messages, and still can't get through to the person, send an e-mail. Many people will reply quickly. If you can interest the person in what you have to offer, they may be willing to set up a phone appointment, or better still, a face-to-face meeting, to find out more. If you don't have the person's email address, look on the company's website or ask the receptionist.

Should you ever stop trying to break through the voice mail barrier? That depends on the value of the prospect's potential business. A small business opportunity may only be worth a few calls, but a large one would certainly require many more. Those who have devoted a large amount of time to client development often have stories about prospects who finally say yes after dozens of telephone calls and several months of relationship building. If the potential is there, keep at it.

DONATIONS IN KIND

Generally speaking, if you donate an item to a charity, you are considered to have triggered a gain or loss at fair value. Of course, the donation receipt from the charity will also be for the same fair market value and donations generate a tax credit at top personal tax rates (except for the first \$200 of annual donations.) However, where that item has an accrued capital gain, the tax shelter on the donation is eroded by the capital gain. For example, if you sell your shares of publicly listed Corporation X for \$1000, and you donate the \$1000 cash to a registered Canadian charity, you will receive a \$1000 donation receipt. However, if those shares cost you \$600 originally, the sale triggered a \$400 capital gain, of which \$200 was taxable. So your net tax liability for the year drops by only the tax on the net \$800, assuming you are in the top personal tax rate.

You may have seen footnotes on mailings from your favourite charities mentioning the new tax rules relating to the donation in kind of publicly listed securities and mutual fund units. If you donate your \$1000 worth of Corporation X shares, or Mutual Fund XYZ units, then the charity still gives you a \$1000 receipt but you have no capital gain triggered! This technique works best with investments that have the largest inherent capital gain. Given today's marketplace, maybe the capital gain is not as large as it used to be, but charities still need to be funded and will be happy to work with you to make it happen.

Corporations receive a deduction against income (within limits) rather than a tax credit. The full amount of the exempted gain is added to the corporation's capital dividend account, if any.

This tax incentive only applies to publicly listed shares, debts, rights and mutual funds. If you have grandmother's exotic vase, or some other interesting non-share-type asset, you may be able to have it certified as Cultural Canadian property. There are no capital gains triggered on donations of Canadian Cultural property. Usually you have to work with a charity that is involved in the type of item you wish to donate. For instance, an art museum would likely be interested in grandmother's vase, whereas a university would be interested in grandfather's detailed records of home-staying in Canada one hundred years ago.

As always, the devil is in the details; make sure you work closely with your investment advisor and charity of your choice to fulfill the detailed requirements of these transactions.

AUTOMOBILES

At the time of writing, the automobile deduction limits, benefit levels and allowance rates have not been released. Watch our website, www.sterncohen.com, for updates early in the coming year.

RRIF WITHDRAWALS

The November 27 Economic and Fiscal statement provided the opportunity to reduce the 2008 minimum RRIF withdrawal requirements by 25% as well as a time period (extending to at least March 1, 2009) to re-contribute the 25% if the minimum withdrawal has already been made.

Contact us if you are uncertain as to your best option with this proposal.

CONTRIBUTING TO A RRSP

One of the most effective and simplest ways to defer current income tax is to make an RRSP contribution. Subject to your unused RRSP contribution room, not only will you receive tax relief in the current year for the amount of the deduction, but, tax on any income earned within the RRSP is deferred until the funds are withdrawn from the plan.

The deadline for RRSP contributions that may be deducted for 2008 is March 2, 2009. The annual contribution limit for 2008 is \$ 20,000.

Thinking ahead to 2009, the RRSP limit will be increased to a maximum of \$ 21,000. To qualify for the maximum in 2009 you will require \$ 116,667 of earned income in 2008.

If you are unsure as to the amount you are eligible to contribute please call your Stern Cohen contact.

At long last, RRSP's held with any financial institution, not just a life insurance company, are now **protected from seizure** in bankruptcy. However, the protection is subject to a claw back for any amount contributed within twelve months before the date of bankruptcy.



TRIGGER THOSE CAPITAL LOSSES

As the stock markets around the world suffer one of their worst performances in decades, reviewing your portfolio may find some hidden advantages.

Reassess your portfolio to determine if there are any investments, which have a current value less than acquisition cost, that you may consider selling. Closing such a transaction before the year-end deadline, will result in these capital losses being used to offset capital gains, if any, during the year or the three previous years. The last day to trade with a settlement in 2008 is December 23.

If you do sell, be wary of the superficial loss rules, which deny the loss on the sale if the identical asset is purchased within, before or after, 30 days of the sale transaction by you or an affiliated person.

You may want to consider speaking to your Stern Cohen contact to determine if this would work for you.