

# NAVIGATOR



Guidance at every turn

December 2006

## Joy of the Season

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Joy of the Season  
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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 Princess Margaret Hospital Foundation.

In addition, everyone at Stern Cohen is participating in our second Stern Cohen Holiday Food Drive. Over the next few weeks, we'll be collecting non-perishable items for the food bank. At the end of that time we'll weigh the food and the firm will donate \$1 for every pound of food collected.



### HOLIDAY HOURS

For the holidays, the office will be closed from 1:00 pm on December 22nd to December 26th and from December 29th to January 1st. The office will reopen on Tuesday January 2, 2007.

*Our business continues to grow through referrals from our clients and friends. Thank you.*

## GETTING READY FOR 2007

The New Year is fast approaching; this also means it is time to start thinking about tax planning possibilities. Here are some simple and effective ways of tax planning and saving on your 2006 tax bill.

### Capital Losses

Review 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 2006 is December 22.

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.

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### Donations

Charitable donations are subject to a tax credit, not a deduction. If you are planning on making additional contributions in the near future, a contribution made by December 31 will enable you to receive tax savings on that donation one year earlier than if you

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# Technology

## To Laptop or Not

Companies that are thinking about upgrading computer systems cannot help but be impressed by the laptop's high performance and increasingly attractive prices. With entry level laptops getting cheaper and cheaper, some owner/managers may be asking, "Is it time to switch from desktops to laptops?"



As a starting point, do not become too enamored with the low prices for laptops and notebooks. Although the price of laptops has declined, a price gap still exists. The low-end laptop still costs more than a similar desktop. And the high-end notebooks push the price to the point where you could buy two superior desktop PCs plus quality flat panel monitors for the price of one laptop.

While price is always an important consideration, your decision should be based primarily on how the computer will be used. If you or your employees need to use the same PC at home and at the office, in meetings and while traveling, then the laptop is the best choice.

Another major advantage is that many of today's laptops come equipped with integrated wireless networking features so that you can access the Internet whenever you are in the range of a compatible wireless network (known as a hotspot). Wireless networks are increasingly available at hotels, airport lounges, cafés and many more places.

To purchase a laptop or not, here are some other factors to consider.

### Expanding and Repairing



The components in a desktop PC are easier and less expensive to upgrade, such as adding a bigger or second hard drive, increasing the memory (RAM) or upgrading the graphics card. Repairing a desktop is also a lot simpler.

With a laptop, you may not be able to upgrade the hard drive. If it can be upgraded, the price will be much higher than a hard drive for a desktop. The components of the laptop may also be limited to "proprietary" or manufacturer-specific ones. It usually costs more to repair a laptop than a desktop because the components are smaller and, therefore, the repair work is more time-consuming. However, manufacturers offer similar warranties on both laptops and desktops and often have repair depots.

For the most part, hardware innovations that move systems forward are designed to be incorporated into a desktop box. Laptops do not often have this luxury given their tiny size so a desire for the latest technology usually means replacing the entire system rather than simply adding a component.

### Performance

Because of advancements in processing technology and an increase in the amount of RAM, the performance of laptops is comparable to desktops. Not only has processing speed increased but graphics cards in laptops now equal or exceed desktops as more and more laptops are used for gaming and DVD viewing. These performance enhancements, combined with the larger viewing screens, are a very positive feature of the latest generation of laptops.

## **Screen Display**

Resolutions of 1680 x 1050 with 19 inch screens are rapidly becoming the norm for high-end laptops. Of course, the larger screen does not fit on an airplane fold-down tray very readily. On the other hand, you can easily add a new monitor to a desktop system, such as upgrading from a 15 inch to a 21 inch or from a bulky CRT to a flat panel.

## **Battery Life**

A major drawback of laptops has been and still is their inability to run for extended periods of time without a back-up battery or plug in power. You will likely want to purchase an extra battery, particularly if you select a smaller, lightweight laptop with a small battery. You should also find out how you can optimize your battery usage.

## **Hard Drive Storage**

Hard drive storage should not be an issue for most users. Laptops are now reaching into the 200GB+ arena, which is more than enough for most users. However, to put this into perspective, desktops have now reached a phenomenal 2 terabytes.

## **Functionality**

The laptop's small size can make it less comfortable to use than a desktop. Unlike a desktop setup, all accessories are integrated into the system (mouse, keyboard, speakers, etc.). Some users find the keyboard is much easier to use on a desktop than the compressed keyboard on a laptop. However, a standard size keyboard can easily be attached to a laptop.

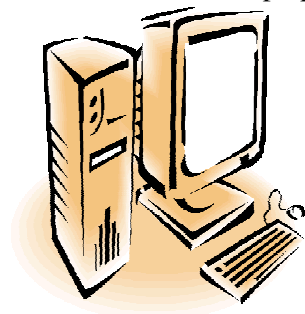
The prices for accessories are about the same for both laptop and desktop PCs. Some laptop users keep the add-ons in the office for when they return to their desk, as the portability of the laptop rapidly loses its luster when the add-ons are carried around with it.

## **Theft and Damage**

The laptop's small size makes it more vulnerable to theft. And when your computer is stolen, you also lose your valuable data. Its portability can also make it more prone to accidental damage.

## **The Decision**

For most users, the laptop will provide all of the requirements that they would find in a traditional desktop PC – but with the added advantage of portability. On the other hand, the desktop provides expandability and can be purchased at a much lower price. If you need the portability of a laptop, it can be a powerful productivity tool. But if the laptop will simply act as a desktop with only an occasional need for portability, a desktop is a better choice.



After you weigh the pros and cons, your decision likely rests on price, practicality and personal choice. The affordability factor might make it easier to have the best of both worlds – a laptop and a desktop PC.

# GETTING READY FOR 2007

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wait until January 2007. After the first \$200.00 of donations, the tax credit for an Ontario resident is 40% to 46% (46% for taxable income over \$118,285) of the donation.

You may want to consider donating publicly traded securities to a registered charity rather than selling the shares and donating the cash. Effective May 1, 2006 the capital gain as a result of a direct donation is no longer subject to tax.

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## RRSPs

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, tax on any income earned within the RRSP is deferred until the funds are withdrawn from the plan. The annual contribution limit for 2006 is \$ 18,000. The contribution limit is dependant on the individual's previous year earned income, pension adjustments and other factors. If you are unsure as to the amount you are eligible to contribute please call your Stern Cohen contact.

If past contributions were less than your eligible contribution room, the unused portion is carried forward to future years. Increasing your contribution to utilize any portion of this unused amount will further reduce current income taxes in addition to deferring tax on the income generated by the larger contribution.

**Please note the deadline for RRSP contributions that may be deducted for 2006 is March 1, 2007.**

If you turn 69 in 2006, all your RRSPs must be terminated before December 31, 2006. Termination of the RRSP can be by any combination of:  
Transferring the balance to a RRIF or LIF  
Purchasing an annuity  
Receiving a taxable lump sum

Failure to do so, results in the full value of your RRSP being added to your 2006 taxable income.

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*Do not wait until March 1, 2007 to contribute to your RRSP. It begins to grow tax free as soon as it is contributed.*

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*For 2007 The RRSP contribution limit is \$19,000, which requires earned income in 2006 of \$105,556 in order to reach the limit*

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## Deductibility of Interest On Your Loans

In order to deduct interest paid on loans, the loans must have been incurred for the purpose of earning income from an investment, business or property. If possible, always borrow for investment purposes and use personal funds to pay off non-deductible loans.

You may want to consider speaking to your Stern Cohen contact to determine if your business affairs may be reorganized in order to make any interest incurred deductible.

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## Timing of Disbursements

Certain deductions and credits may only be claimed if the amount was paid by December 31, 2006. This is the case for child support (if deductible), childcare expenses, medical, tuition, professional dues and fees and charitable donations. Therefore, you should consider making such payments by December 31, 2006.

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## Refundable Tax Credits

If your children have nominal income, ensure they file a tax return in order to claim the GST credit and/or the Ontario Sales and Property Tax credit. Children are eligible for the GST credit if they have attained the age of 18 by December 31, 2006. For the Ontario Sales and Property Tax credit the child must be a resident of Ontario and, in some cases, be only 16 years of age or older on December 31, 2006.

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## New Tax Credits

The government introduced new tax credits commencing in 2006. Some of the tax credits for 2006 are: textbook tax credit, public transit tax credit, employment tax credit and a children's fitness tax credit which commences in 2007.

You may want to consider speaking to your Stern Cohen contact to determine which new tax credits you may be entitled to.

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Past issues of the Navigator can be found on our web site [www.sterncohen.com](http://www.sterncohen.com)

