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Life Matters!

Spring 2009

www.frankdanielson.ca

Tax-Free Savings Account

Let's assess how it compares to non-registered accounts

The tax-free savings account (TFSA) seems like a good idea. But we all have different circumstances, so it's a good idea to compare non-registered accounts with TFSAs, then discuss whether or not this new "tool" would work for you:

TFSAs, have an annual contribution limit of \$5,000 and are indexed to inflation, with unused room carried forward indefinitely. As with RRSP accounts, TFSAs have a typical list of eligible investments and penalties for excess contributions at a rate of 1% per month. Non-registered accounts have none of these limitations.

Carrying Charges

Any income generated within a TFSA is tax-free. Therefore, carrying charges for a TFSA are not tax-deductible because, in general, the charges are not incurred to earn taxable income. The opposite is generally true for non-registered accounts where earnings generated are taxable.

Income Splitting

Income earned from contributions to the TFSA by a spouse or common-law partner is not attributed back to the contributor. The attribution rules do not apply since the income in the TFSA is tax-free. Generally, attribution rules prevent a spouse in a high tax bracket from transferring assets to a spouse in a lower bracket in an attempt to reduce their overall tax rate. It's not that the attribution rules have changed; they simply do not apply to TFSA accounts.

Legacy planning

On the death of a TFSA holder, there is a deemed disposition but it is tax-free, unlike non-registered accounts. This makes an inheritance larger; and therefore could be a key benefit for those who have time to build a substantial TFSA



account and want to leave a legacy to their heirs. If there is a surviving spouse, both the TFSA and non-registered account can be transferred to the survivor without immediate tax consequences. However, on the death of the survivor, taxes on the non-registered account only would be deferred and payable.

Tax planning

When a capital loss is realized in a TFSA, it cannot be used to offset taxable capital gains. This is an advantage for non-registered accounts. If there are no capital gains in the current year, then the losses can be carried back and applied against gains in the three previous taxation years or carried forward indefinitely and claimed against future capital gains.

These exceptions aside, a TFSA will be the natural choice for many Canadians. What, then, is the main take-away?

I think the bottom line is that TFSAs, with their small annual contribution limit of \$5,000, don't look so significant at first glance. However, since investment income, gains and withdrawals in TFSAs aren't taxed, savings will actually grow faster than they might in a non-registered account. For more information, contact us anytime for a detailed discussion.

*"Adopt the pace of nature: her secret is patience."
Ralph Waldo Emerson*

Health Choices

Perfect Posture in Your Vehicle

The topic of posture has gained greater acknowledgement in the age of health mindfulness. Follow these four steps to achieve perfect posture in your vehicle:



Checkpoint 1: Seat Angle

Having the seat in a reclined position ultimately puts a lot of pressure on the legs. Thus, it is important to have the seat as upright as possible in order to engage the abdominal muscles.

Checkpoint 2: Seat Position

Having the right leg extended for an extended

period of time puts a lot of strain on the lower spine. It is important to position the seat at a comfortable length from the pedals so that the hips remain square when reaching for the pedals.

Weblink

<http://www.healthchoices.ca>

Checkpoint 3: Steering Wheel Position

When the arms are extended out towards the wheel they should be in a relaxed, straight position, able to get a good grip on the wheel. It is important to engage the abdominals, keep the shoulders down, and fire up the latissimus dorsi.

Checkpoint 4: Rear View Mirror Position

Before adjusting the rear view mirror to the Perfect Posture position one must sit up as straight and high as possible. The rear view mirror can now be adjusted to your maximum height. Leaving the rear view mirror in this high height position will force you to sit in an upright position and ensure Perfect Posture in your vehicle.

Health Choices is a solutions-based website covering everyday medical and healthy lifestyle needs in the Vancouver and Calgary area.

Set Goals that Inspire You!

Make your life more fun

With 2009 in full swing, it is that time of year to reassess the way we've been living. Many people start the New Year with a heart full of good intentions and a list of resolutions, but the sad truth is that less than half of those resolutions are met. Why is that? It's not because the goals are too high. It's not due to a lack of discipline. It's not about the execution. It's that most people set uninspiring goals.

Nine times out of 10, people set goals based on what they "have to" or "should" do. They take all the unpleasant things and make a resolution to push through and get them done. "Push through" is the key phrase - no wonder we don't keep resolutions!

What if you set goals that naturally inspired you? What if the idea of your resolutions made you take action? What if you chose goals that excited you?

The key is to set goals that mesh with your personal values – these are the easiest and most rewarding ones to achieve. Why? Because you don't have to "push through" them. You want to do them. How do you determine which goals align with your values? You need clarity on what your values are.

Your values are the intangibles that make you feel in alignment, complete, and functioning at a high level. Examples include adventure, fun, service, creativity, connection... A life (or goal) that aligns with one's core values will feel satisfying, even in difficult times.

When you set goals to experience what you value most, life gets immeasurably richer - and easier! If you value adventure, and want to lose weight, don't vow to hit the gym every day - get out and do something adventurous! If you value connection, and want a higher income, find a job that pays more when you develop relationships. Let your values lead you to the life you really want, and make this year your best one yet.

Teresia LaRocque, professional speaker, Master Certified Coach. For more information visit www.teresia.com.

What is Charitable Planned Giving?

Almost everyone has an idea about what it would take to build a better community. But with bills, mortgage payments, and saving for retirement — putting those ideas into action — that's another matter!

Charitable planned giving is an effective way to support a cause that is dear to your heart, while getting around the stresses of daily life. Although the gift involves some planning and forethought, it only materializes after the bills have been paid and after future costs are no longer a concern.

A planned gift can take many different forms. It may be a bequest in your Will, a gift of life insurance, or the designation of a charity as the beneficiary to your life insurance, RRSP, RRIF or pension plan.

The donation is part of an overall estate planning strategy,

and it is structured to maximize income tax benefits. Most importantly, a planned gift is a statement of your most significant values. After all, it is your final say on what matters most to you.

The charitable cause that you choose to support will be a reflection of your life experience. What challenges have you faced? What joys do you wish to share? How can you say thanks for the help you've received? What dreams do you have for your grandchildren?

With a planned gift, your vision for a better society can come true. You will make a significant contribution, and may inspire a family tradition for charitable giving.

Kristin Helgason, Manager Development & Donor Services, Vancouver Foundation www.vancouverfoundation.ca

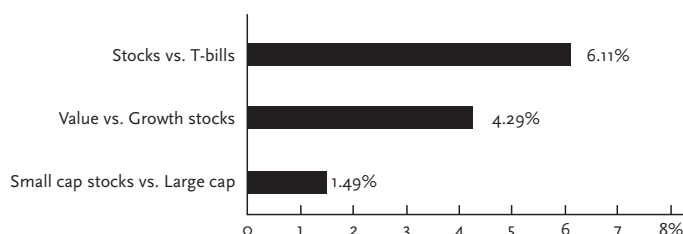
Risk and Return are Related

Evidence from practicing investors and academics alike points to an undeniable conclusion: *returns come from risk*. Gain is rarely accomplished without taking a chance, but not all risks carry a reliable reward.

As you'll see, analyzing market returns over the last 50 years has brought us to a powerful understanding of the risks that are worth taking and those that are not. When we construct portfolios for clients, we determine to which extent they will be exposed to the following three risk factors:

- Market** Stocks have higher expected returns vs. fixed income.
- Size** Small company stocks have higher expected returns than large company stocks.
- Price** Lower-priced "value" stocks have higher expected returns than higher-priced "growth" stocks.

The dynamic of the three factors is best explained using two images. The first figure is the bar chart called the 3-Factor Asset Pricing Model. It shows the *additional* returns from each factor. In other words, the greater exposure to risk, the greater returns we can expect.



Source:
Above: Avg. ann. returns Feb 1951 to Aug 2007, US Market, Fama/French.
Above-right chart courtesy of Dimensional Fund Advisors.

While there are no guarantees for return expectations, we rely on the idea that we cannot derive higher total portfolio returns without taking on additional risk.

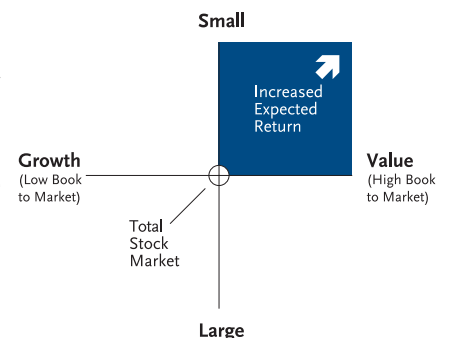
Just how we go about adding additional risk is another story altogether. Managing expected returns in equity markets can be summarized in terms of three dimensions:

1. The first is that stocks are riskier than bonds and have greater expected returns.

2. Relative performance among stocks is largely driven by two other dimensions as per the chart on the right: Small/Large

cap and Value/Growth stocks. Many believe small cap and value stocks outperform because the market rationally discounts their prices to reflect underlying risk. The lower prices suggest increased upside potential, which would compensate investors for bearing this risk.

As a final note, these additional expected returns from utilizing the above mentioned dimensions are not guaranteed to materialize on an annual, short, or even long-term basis. Patience, and a solid review of your Investment Policy Statement with your advisor is advised.



Extensive research proves you should enjoy life!

We hope you find these Life Matters! ideas interesting

For Those Couch Potato Moments

Just when you thought you've seen it all

Live Plasma - www.liveplasma.com

Enter the name of a song, band, movie, actor or director you like and Live Plasma will return some pretty intelligent recommendations for further investigation.

Blinkx - www.blinkx.com

A clever way of searching for video clips on the internet - from uploaded episodes of your favourite soap to comedy home-video moments. Or search your favourite hobby or interest, such as travel.

Wonder How To - www.wonderhowto.com

Video Jug - www.videojug.com

Two great sites full of short videos showing you how to do almost anything, from the incredibly useful (exercises for diabetes sufferers, tying a Windsor knot) to the wonderfully obscure ('make a moving jaw for your kid's werewolf mask').

iTips

Make the most of your iPod

Make quiet songs louder and loud songs quieter - On your iPod, click **Edit**, select **Preferences**, then click **Playback**. Select **Sound Check** and the volume for all songs will be set to the same level.

Use your iPod as an alarm clock - From the main menu, select **Extras**, choose **Clock** then **Alarm Clock**. Select **Alarm** to turn the feature on.

Create a playlist on the fly - Your iPod offers an On-the-Go feature for creating a playlist. Highlight a song in a music menu, then hold down **Select Button** until its name flashes. You've just added a song to the On-the-Go playlist. See it via the **Playlists** menu.

Make the battery last longer by sliding the **Hold** switch into the locked position to prevent the player being turned on by accident. Also turn off the backlight and try not to skip between songs too frequently.



Photo Courtesy of Apple

The 3 Hour Getaway

When all you have is a weekend to get away from it all

Fly to Tofino, Stay at Long Beach Lodge Resort

Fly Orca Air from Vancouver Airport's South Terminal and enjoy a spectacular tour over some of the most remote and untouched areas of our coast. Once you arrive at Tofino, the Lodge's transportation (booked at time of reservation) will be there to pick you up at the airport. Spend the weekend in the most serene destination on the coast. Long Beach Lodge Resort is perched on the edge of Cox Bay, between the spectacular Clayoquot Sound and the Pacific Rim National Park. Read a book, stroll the sandy beach, and enjoy inspired gourmet cuisine.

www.flyorcaair.com

1-888-359-6722

www.longbeachlodge.com

1-877-844-7873



Not Enough Hours in the Day?

Time is money, so make the most of your working hours

Handle incoming paper and mail only once...act on it right away, file it, or trash it. Don't let it hang around to haunt and distract you.

Use The Time In Your Car...to listen to professional development audio, download thoughts to tape, or dictate memos or articles for client communications.

Activate Spam Filters...instead of manually deleting emails, create rules for this (or hire someone to do it) in your email program.

Schedule Your Phone Time...by blocking hours of the day you'll let calls through, and what hours it should roll over to voice mail.

Automate As Many Tasks As You Can...and focus on your priorities.

Reduce Wasteful Resource-Intensive Meetings...justify meetings.

Calculate the Cost of Wasted Time...you're expensive.

Plan to Do it Right the First Time...no time to do it again.

"How I got here is pretty simple in my case. It's not IQ, I'm sure you'll be glad to hear. The big thing is rationality....It gets into the habits and character and temperament, and behaving in a rational manner."

Warren Buffett on some of the reasons behind his success

Life Matters!

Welcome to our first edition of Life Matters! As your personal CFO, I believe in bringing balance to all aspects of your life, not just financial. In our efforts to make our communication, and the sharing of information, easier between clients and ourselves, we are proud to announce the launch of our new and resourceful website, www.frankdanielson.ca

In addition to an overview of the F. Danielson Group, you will find timely articles on wealth planning and investment perspectives. We also have a link that allows you to access your portfolio online. Please contact Janet if you need any assistance.

In these turbulent market times, we value the communication we have with you. Please contact us with any questions you may have about your portfolio.

Although there are no guarantees, history has demonstrated that investors are rewarded for long-term investing in stocks, for staying the course through volatility, and for being prudently diversified. As your personal CFO, we are here to provide the financial and lifestyle support you and your family needs.

The Team Update

What we have been up to!

Website Update

We are pleased to announce that we have just completed the F. Danielson Group website! To see the site online go to <http://www.frankdanielson.ca>.

Through our new site, you can access your account information by clicking on the "client login" link located on the bottom-left corner of our home page. However, you must register first. Please contact Janet Gilray at jgilray@assante.com if you have not already registered for online access and would like on line access.

We believe that our site offers an excellent overview of our team's wealth planning philosophy, unique consultative approach, and personal CFO Service. This information has been posted should you wish for a friend or family member to learn about us in advance of booking an introductory meeting. Feel free to forward our site URL to anyone you think might be interested in working with us.



Kid Safe Project Update

Our team, and many of you (Thank you!), made a donation to The Kid Safe Project, which keeps schools open during school holidays for 400 of Vancouver's inner-city elementary students. Kid Safe keeps kids out of harm's way and provides healthy meals, learning and recreation activities free of charge. We are happy to say we raised a total of \$2,450 to help these children at a special time of year. Thank you for your generosity.

A partnership that works

Each of our advisors act as a personal CFO and wealth mentor for a select number of high net worth individuals and families. We are committed to a systematic, principled approach to wealth management.

Our mission is to simplify and enhance the lives of our clients. Our personal CFO program improves financial decision making and helps clients translate the complex challenges of wealth into a more fulfilling life experience.

If you have family or friends that would benefit from our approach, we encourage you to contact us. We ensure they will receive highly confidential advice and appropriate services needed to lead a simpler, more fulfilling life.



YOUR TEAM: JANET, RAY, ELAINE, AND FRANK



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