



# CHRISTMAS GREETINGS

From Gregory, Harriman & Associates

December 2010

## Wishing you Peace and a Prosperous New Year

As 2010 draws to a close, we would like to take this opportunity to pass on our best wishes to you and your families, wishing you a very Merry Christmas and all the best for 2011.

We would like to extend a heartfelt thank you for your support and understanding with the loss of Kristin Doyle, our colleague and friend. During this season, her presence is greatly missed.

Karen Gregory officially retired in July. We miss her smiling face around the office, but are happy to hear she is able to spend more time with Joe in warmer climates.

Congratulations to Erin Gregory on receiving her CA designation after successfully passing the UFE. Way to go, Erin!!

GH&A, along with Chinook Credit Union, has the honor of sponsoring the Community Crisis Society Cream Can Fundraiser for 2010/2011. We will be hosting the cream can in our reception area until the end of tax season, 2011. We encourage clients to donate to this worthy charity if you are in a position to do so. When you put a donation in the cream can, GH&A will put your name in for a monthly draw to win a pair of Flames tickets. If you make a donation during March or April, your name will go into a draw for a flat screen LCD TV. We thank you for your support!

GH&A once again supports local community projects with a donation of \$2,500 towards the new Community Hall/Disaster Centre in Standard and a cash donation to the Christmas Hamper as well as a staff donation of food items and toys.

**Please note that we have updated our website to include many personal and corporate tax-related items previously displayed in our Christmas newsletters.**

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### HOLIDAY OFFICE SCHEDULE

With Christmas Day, Boxing Day and New Year's Day falling on Saturday/Sunday this year, the office will be closed on Friday, December 24, Monday, December 27 and Friday, December 31.



#### Partners

Shelley Harriman, CGA

John Gauvin, CGA

#### Managers & Seniors

Anita Timmerman-McNamara

Becky J. Nakamura, CGA

Darren Fawns, CA

Erin Gregory, CA

Farrah Williams, CA

Jennifer Jensen, CGA

John Deering, CA

Marlis Nielsen, CMA

Mike Porter

#### CA Students

Hakon Skoien

Minh Nguyen

Sam Miller

#### Accounting Technicians

Christina Kleysen

Ellen Wagner

Heather Van Laar

Jackie Dalstra

Johanne Bissonnette

Julie Reagan

Kathy Guttinger

Linda Stead

Nicki Heck

#### Internal Accountant

Yvonne Hillier

#### Receptionist

Marlys Lein

Rose Anderson

#### Legal/Typist

Beatrice (Bea) Winter

Cristina Yu

Jean Wagemakers

Lynn Atkinson



*My idea of Christmas, whether old-fashioned or modern, is very simple: loving others. Come to think of it, why do we have to wait for Christmas to do that? ~ Bob Hope*

## Tax Free Savings Accounts

The Tax Free Savings Account allows us to earn tax-free investment income, but there are certain restrictions imposed by CRA that, if not complied with, will result in a penalty tax.

Yes, income earned in a TFSA is tax-free and withdrawals are tax-free. However, if you withdraw any funds from your TFSA account, you cannot re-contribute in the same year as your withdrawal, or CRA will consider it as excess contributions and charge a penalty. You may put back the full amount of the withdrawals in the following year with no penalty.

If you wish to transfer your TFSA from one financial institution to another within the same year, you can do so as long as the transfer

is a qualifying direct transfer between the two financial institutions. Otherwise, you could be penalized for excess contributions.

Canadian residents over 18 years of age may contribute up to \$5,000 to their TFSA. The unused contribution room is carried forward to future years, so if you were unable to contribute for a couple of years, the contribution room that you would have available is \$10,000 higher.

If you are a senior, neither the income you earn in a TFSA or the withdrawals you make will affect your eligibility for federal income-tested benefits and credits.

## Year-end Tips for Reducing your 2010 Personal Tax Bill

KPMG released its year-end tips for reducing your 2010 personal tax bill that you could still do before the end of 2010.

Some of the tax planning ideas were:

- set up a Tax-Free Savings Account (TFSA) (see above);
- Split income by locking in family loans at low interest rates— at 1% for the 4th quarter of 2010, it may be a good time to lock in a family loan;
- Consider tax loss selling—if you have any investments with unrealized losses, think about selling them before December 23 (to ensure they go through before the year end) if you had capital gains during the year or in a prior year. If you want to repurchase the investment, you must wait 30 calendar days after the sale, or you will have a superficial loss and will not be able to deduct it when calculating your income for the year;

**“Your accountant can help you review your personal or business tax situation and determine what steps you can take before the year-end and early in the new year to minimize the taxes you’ll pay for 2010.”**

- Make payments eligible for 2010 savings on time—donations, medical expenses, union and professional membership dues, political contributions. There are other payments which you may be able to use against your 2010 T1.
- Plan for RRSP contributions. You can find your RRSP limit for 2010 on your Notice of Assessment. Depending on your taxable income, this contribution can result in tax savings of 25 to 39% of the contribution.
- Wind up your RRSP if you’re 71– if you must wind up your RRSP in 2010, remember you only have until December 31, 2010 to make a contribution to your RRSP for 2010.
- Time your out-of-province move—maybe next year?
- Employees’ company cars—Drive down your taxable benefit
- Play catch-up on deficient instalments-remember you must pay your final instalment before December 15, 2010 to avoid interest and penalty charges.

To get more details on the above tips, please give our office a call.

## Home Buyers’ Plan limit now \$25,000

The limit on the Home Buyers’ Plan has been increased to \$25,000 from \$20,000. Individuals can now withdraw up to \$25,000 from their RRSP to buy or build a qualifying home (must be located in Canada; must have equity interest in the housing unit). They must be first-time home buyers, or if not, they must not have owned a home in the past four years.

If an individual wants to buy a qualifying house with his/her spouse, they can each withdraw up to \$25,000 from their RRSP’s for a total

down payment of \$50,000.



Using the HBP allows the homeowners to “borrow” interest-free, with the requirement to have it repaid within fifteen years. If the minimum amount to be repaid per year is not made, that amount will be included in their income for that year.



*Aren't we forgetting the true meaning of Christmas? You know...the birth of Santa. ~ Bart Simpson*

## 7 Tips to Avoid Holiday Financial Stress

If you follow the advice of these CGA financial experts, you will not get carried away and overspend this holiday season. You can just enjoy the holiday season.

### Tip 1: Make a list—and check it twice

Before you start shopping, set a budget. According to Manfred Grunling, you should first make a list of who you plan to buy for and how much you want to spend. This will determine your spending budget. If the amount is more than you originally planned, you may want to reconsider what to spend on each individual. And don't forget the wrapping paper, bows and gift bags, as these add up.

### Tip 2: Don't be naughty—Resist impulse

Stick to your list!! Jeff Rourke reminds us that millions of dollars are spent on advertising to make you spend more than you need to and that retailers don't care if you ran your credit card to the limit or depleted your savings. Impulse buying is a sure way to lose control over your finances.

### Tip 3: Be nice to your wallet

A great tip from Grunling is to withdraw only the cash you need from your account before going shopping and leave your credit cards at home.

Adrian Chang advises us to go online and windowshop. Find out how much your

gifts cost. "When you do go out to the mall, stick to your list and when you have used up your budget, head home." And avoid shopping with shopaholics or you will find yourself going over budget.

### Tip 4: It's ok to be a tiny bit like Scrooge

There are enough stressors at Christmas, and money doesn't need to be one of them. If money is tight, try being a little creative. Consider making gifts for your family and friends. Doug Appleyard said "some of the greatest gifts I ever received were those that were made for me. If you like photography, take some unique pictures and put them in a frame. If you bake, give cookies as gifts." Grunling feels that "kids are experts in making special gifts. These heartfelt crafts and the memories that go along with making them will last for years to come."

### Tip 5: Leave the plastic to Santa and his toys

For most shoppers, using your credit card during Christmas is unavoidable, so spend wisely and know the consequences. O'Rourke warns, "using your credit card and not paying the balance when the bill comes increases the cost of the gift."

### Tip 6: Plan for a prosperous New Year

Cynthia Bakker, a CGA student in the Program of Professional Studies recommends a

written plan to pay off credit card debt. "A written plan to get rid of debt will make you more motivated to execute the plan. It also helps to tell someone about the plan, holding you more accountable." When budgeting, set aside cash to put towards your debt.

### Tip 7: 12 months before Christmas...

Doug Appleyard also suggests keeping a detailed record so you can reference to it when preparing your next Christmas budget. "With Christmas fresh in your mind, setting a budget for the 2011 holiday season gives you realistic expectations and 11 months to save. Remember, your budget should include not only the gifts you intend to buy, but also entertaining, travel or parties. Set an amount you want to spend for next Christmas, and divide by the number of pay periods between now and December. The total is the amount you need to save from each pay cheque." This has to fit in with your other expenses so if you can't afford it, take another look at your budget. Appleyard feels the best way to save it to set up an automated deduction from your pay cheque into a Christmas savings fund. Out of sight...out of mind, and you won't be tempted to spend it.

## Canadian small business owners are a happy group

The TD Small Business Happiness Index shows that 62% of Canadian small business owners describe themselves as 'very happy', with Calgary being the happiest city for small business owners in Canada.

**"The personal satisfaction small business owners report illustrates one of the key advantages of owning your own company."**

business owners feel is the key advantage of owning your own company."

Several reasons given by the small business owners for their high satisfaction levels were: sense of pride and accomplishment, deep personal connection to their

employees and their customers, and the opportunity to volunteer their time or make donations to charities, sports teams and events.

The Index found that the top 3 benefits of ownership are:

1. being their own boss,
2. setting their own schedule, and
3. being in control or being able to make their own decisions.

Although ownership provides more freedom in decision-making, it can also mean you are at work longer. 50 or more hours each week is put in by the majority of owners, 19% working 50-59 hours and 38% working 60 or more hours.

However, if you are a happy small business owner, you will still enjoy being a small business owner five years from now.

According to Alec Morley, Senior Vice President, Small Business Banking, TD Canada Trust, "the Index demonstrates that small business owners enjoy a sense of control and freedom that they don't generally realize when working for someone else. Even in this economic recession, the personal satisfaction that small

# Did You Know ...

## Business Use of Personal Vehicle

If you use your personal vehicle for business use, CRA has announced a new policy whereby if you keep a vehicle mileage log for one full year, this can be used as a base year going forward, and the taxpayer can then choose to use a period of at least three months in each year to determine the estimate total for the entire year. In order to have support for your claim, GH&A has travel logs at the front desk that you can use to track your kilometers.

## Employee Events

Employers are allowed a 100% deduction of food and beverage expenses for a maximum of 6 annual special employee events (such as the Christmas parties) as long as the event is offered to **all employees**. We ask that you track this separately in your books so we can ensure you get the 100% deduction instead of the normal 50%.

## Donations of Securities

CRA has eliminated the capital gains tax on the eligible amount of publicly traded securities donated to registered charities. This is a tax efficient way to donate, as you get a 50% deduction for the donation plus you save 10 to 20% on the taxes for the capital gain. This results in a net cost to donate of around 20 to 30% of every dollar received by the charity. If you are interested in donating securities to a charity, contact the registered charity first to determine the best way to proceed.

## Beware of Fraudulent Communications and Donation Schemes

Occasionally, taxpayers may receive, either by telephone, mail, or email, a communication that claims to be from the Canada Revenue Agency (CRA) but is NOT. They will request personal information, such as social insurance, credit card, bank account and passport numbers. Should you have any concerns about the communication, you can call 1-800-959-8281 for personal concerns or 1-800-959-5525 for business-related calls.

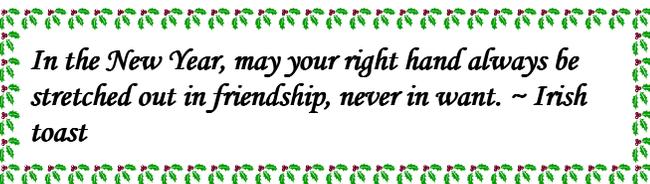
If it looks too good to be true, it likely is. Certain tax shelter arrangements have risk associated with them including: gifting trust arrangements; leveraged cash donations; and buy-low, donate-high arrangements. Even though they have a tax shelter number from the CRA, there are no guarantees that taxpayers will receive the proposed tax benefits. Generally, the CRA reduces the amount of the tax credit to no more than the taxpayers' cash donation, and in many cases, it is reduced to even less than that. CRA may also charge penalties and interest. They have identified over 17,000 participants claiming tax shelter arrangement donations of \$484 million in 2008-2009.

## HST Reminder

If you provide any goods or services to businesses in the following participating provinces : British Columbia, Ontario, Nova Scotia, New Brunswick or Newfoundland and Labrador, remember you need to consider HST instead of just GST. The tax is based on the province where the goods or services are delivered to or made available to by the supplier. <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/gnrl/menu-eng.html>.

## Web Tips: Travel Alerts and Tips:

If you are traveling outside of the country for business or pleasure, the Foreign Affairs and International Trade Canada website is one of the best sources of information. Dozens of country-specific travel reports are available and there is plenty of general travel information. [www.voyage.gc.ca](http://www.voyage.gc.ca)



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*Gregory, Harriman & Associates (GH&A) is a locally owned public accounting firm located in Strathmore, Alberta. We offer a wide range of Accounting, Assurance, Estate & Tax Services and other customized services to various businesses and government bodies. We work in partnership with our clients, providing specialized services such as financing presentations, business acquisitions and mergers and estate planning.*

*We are committed to maintaining a close, interactive, mutually beneficial relationship with our valued clients. Our goal is to offer exceptional advisory and accounting services in a timely and professional fashion. With the ever changing business world and the frequent changes in taxation, we believe that a close relationship between the client and their professional accountant generates a positive impact on both parties.*