

# FINANCIAL STRATEGIES FROM KURT ROSENTRETER

CHARTERED ACCOUNTANT, INVESTMENT ADVISOR, INSURANCE AGENT



[kurt.rosentreter@manulifesecurities.ca](mailto:kurt.rosentreter@manulifesecurities.ca)

416-628-5761 ext. 230

## The Seven Seasons

Prepared by Kurt Rosentreter  
Senior Financial Advisor, Manulife Securities Incorporated

Managing your personal finances can be complicated and take a lot of time. Paying bills, filing tax returns, contributing to RRSPs, getting a Will prepared, saving for children, making a RRIF payment and much more – you literally need to keep a list to remember everything you may need to do with your money over one year!

We're here to help!

We've got that list and regularly are focused on your financial needs, assisting you to get tasks done.

Welcome to our seven seasons!

The seven seasons are a series of financial “to do’s” that start in November each year and finish in May of the following year. The seven seasons are important financial tasks that we will talk to you about – reaching out to you to ensure important annual financial work gets done.

The seven seasons are as follows:

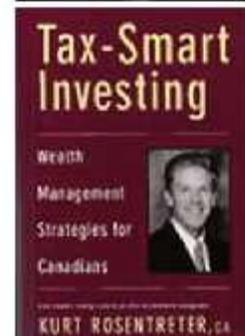
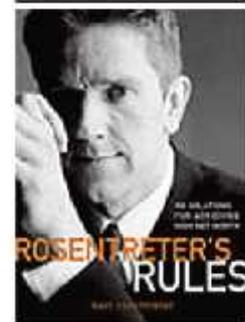
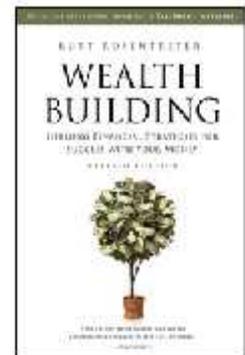
### SEASON #1: Minimum RRIF Payment Season in November

- By the end of each calendar year a retired Canadian aged 72 or older that has a RRIF (registered retirement income fund) must pay out their minimum payment for the year. This amount is set by the government at the start of each year and can be paid out throughout the year. Often taxpayers wait until close to the end of year to continue to defer taxes as long as possible. RRIF payments can be made in the form of cash or actual securities.
- There are a variety of RRIF paying strategies that we assist clients to plan for: should you deregister the minimum or more than the minimum amount in order to minimize income taxes today and in the future? Should RRIF payments be based on your age or your spouse's age in order to minimize taxes? Is it better to spend money from your RRIF or other savings accounts? How can RRIF payments be planned between two retired spouses each with their own RRIF? How do we plan the investments inside the RRIF to match risk preferences, rate of return goals, tax planning needs and liquidity needs around the deregistration dates?
- We will be in touch about any remaining RRIF payments to do before the end of 2012.

### SEASON #2: Tax Loss Selling Season in December

- For investors with taxable savings accounts (personal, corporations, trusts) there is a once a year ritual called loss selling on purpose. Canadian investors pay taxes on capital gains each year based on the calendar year. Capital gains, arising from the rise of a taxable investment over time and then selling it, are summarized on Schedule Three of your personal tax return.
- Capital losses, resulting from the sale of a security trading below the cost base, are used to offset capital gains and reduce the net taxable position. This tax benefit has led to an annual routine of selling some investment duds to realize losses ahead of the end of the tax year.

### Kurt's National Best Selling Books



- Each December, we work with clients to assess year to date capital gains on all their investment accounts held everywhere and then examine accounts with us for unrealized capital losses we could harvest to reduce taxes for the year. This is called tax loss selling and happens in the first half of December each year.

### SEASON #3: RESP Contribution Deadline in December

- An RESP or registered educational savings plan is a Federal Government program where parents and grandparents can contribute towards a tax sheltered savings plan for a child's future post secondary education.
- Annually, contributors are entitled to up to \$500 grant per child for every \$2500 contributed. A partial contribution will also attract a partial grant. Any way you look at it, this is free money, equating to a 20% return on your capital.
- Since the grants are calendar year based, December is the last month for making 2012 contributions to get the grant. We make a point of trying to reach our clients with RESPs to remind them of the deadline and lucrative free money that they can get.
- Grandparents can make contributions into plans for grandchildren as well. And also note that you can catch up missed years in the past where you didn't contribute - you can collect grant for two years instead of one!



### SEASON #4: Tax Free Savings Account Contribution in January



- Every Canadian over age 18 can open a Tax Free Savings Account (TFSA), deposit up to \$5000 per year, invest the money and never pay tax on the earnings in your lifetime.
- TFSAs have been around since 2009. Come 2013, at a rate of \$5000 per year, means you can put in \$25,000 to date.
- Starting in January and throughout the year, we will encourage all clients with the means to maximize their Tax Free Savings Account as another important cornerstone to personal net worth building.

### SEASON #5: RRSP Contribution Deadline in February

- The annual march to top up RRSPs ahead of the deadline at the end of February plays out each winter. Contributions to your registered retirement savings plan are based on your tax notice of assessment from 2011 that shows your contribution limit. Contributions can be made in cash or in kind. You can borrow money to make an RRSP contribution. Contributions qualify for tax deductions that may generate a tax refund. Tax refunds can be used to pay down mortgages faster or increase other savings.
- RRSPs have long been a key component of tax planning and retirement savings for Canadians. More than ever before, with fewer Canadians having pensions, maximizing your RRSP contributions by the deadline is crucial.
- For all our working clients, we stand ready in February or sooner to have a discussion about contribution limits, deduction amounts, spousal RRSPs, your employer contributions, how to invest in RRSPs and more.



### SEASON #6: Personal Tax Filing Deadline in March and April



- April 15<sup>th</sup> is the deadline for Canadians who are American citizens to file their US tax return. April 30<sup>th</sup> is the Canadian personal tax return filing deadline. June 15<sup>th</sup> is the personal tax filing deadline for self-employed professionals. And throughout the year are various corporation and trust tax return filing deadlines.
- With Kurt's background as a tax specialized Chartered Accountant, we spend much of March and April offering assistance to clients any way we can with taxes.
- Here are several of the ways we stand ready to help with taxes each year:
  - Digging up lost tax slips and providing duplicates
  - Calculating cost bases for taxable capital gains and losses; researching data back

- to sources to determine the right numbers.
- Providing foreign currency rates and calculations.
- Research rules and strategies to help clients take advantage of various tax deductions and tax credits.
- Facilitating getting tax returns done for clients by accountants we refer work to.
- Completing tax planning opportunity reviews on your entire tax situation as we look for new ways to save you income tax.
- Extending our tax planning review to your portfolio, your will, your career finances, your net worth, your real estate and more – because tax planning is not limited to your income.

## SEASON #7: Estate Planning Review Period in May

- When you might think we may be done with seasons, we have one more that is lesser discussed but equally important. We take time in May to consider whether client Wills and Powers of Attorney are completed, up to date and on file with us.
- We also review any life insurance and disability insurance policies for clients that we have on file and reflect on their finances and personal situations, contacting some to discuss the appropriateness of their coverage.
- Strong disability insurance is important during one's working career to guard against income loss due to illness or accident. Most employer disability insurance coverage is inadequate. Life insurance is necessary for young parents, folks with big mortgages, people with dependant spouses and in old age to offset taxes on death. Life insurance can also be a good tax shelter in the right circumstances.
- As life insurance agents we are able to shop across many companies both to evaluate your existing insurance coverage and to shop prices on new policies you may consider.



## There is a Lot Going On!

Viewing your finances as seven seasons helps to frame tasks to do and set a time to do them. It creates better accountability and focus on your finances to achieve your goals – and isn't that what it is all about?

Hopefully it also demonstrates that all year long we are on the job – watching for issues and strategies that affect you, communicating as needed and standing ready to answer your questions and help as needed. If you have several advisors or brokers, make sure they are coordinated in a fashion that integrates your planning and goals – creating a more cohesive and focused approach to your finances that should lead to better decision making and save you time and fees.

## What About Investments?

There is no season for investments – managing a portfolio is a year round job even if the communication with you is only occasional. The amount of work one puts into managing their investments is tied to a number of factors: your personal interest in investing, whether you do it yourself or have us manage your investments, the types of investments you buy, your trading style and strategies and market conditions. Managing your investments on your own can take three hours a year – or it can take three hours a week.



If we manage your investments, there is a lot of work we do behind the scenes and with you. Here is a sample of the type and amount of work we complete on a client's investment portfolio over the course of a year:

### On a Daily Basis:

- We peruse a dozen research and news sources for new investment ideas, news on existing products, global economic and political news and anything globally that may affect a portfolio and products today and in the future.
- We monitor accounts for bond maturities, product expiries, new issues, IPOs, loose cash, fees and other account maintenance needs.
- We reach out to clients to execute trades – some days perhaps one or two trades – other days we may do hundreds. Our team consisted of five qualified professionals all equipped with the latest technology to price, trade and evaluate securities by the second.

- We prepare detailed notes on investment planning, financial strategies, product details, conversations, meeting work, financial planning and much more. Each clients file in our office is several hundred pages deep – we like to know a lot about you to make sure our advice is suitable.



#### On a Weekly Basis:

- We hold team meetings to debate products, discuss research, summarize news, address issues, review strategies and set priorities. Each team member (there are seven on our team downtown) has a role to play as it relates to your portfolio and file with us.
- We review and summarize strategic research reports and news sources for their impact on economics, portfolios, investment strategy, products and market conditions.
- We attend meetings, seminars, presentations and webinars on new products, old product updates and global macro economic opinions.

#### On a Monthly Basis:



- We monitor account performance year to date vs. peers and vs. passive indexes for inappropriate laggards. Our goal is to have your portfolio produce a steady return that is down less than others in poor markets and up in good years based on your goals and expectations.
- We monitor individual products in each account with us vs. peers and vs. passive indexes for inappropriate laggards. This evaluation identifies securities that may warrant replacement in the portfolio – at that point we contact you for approval.
- We monitor asset allocation (weight in bonds, cash and risky assets) strategically (based on stage of life), dynamically (based on what we had set as a starting policy) and tactically (based on short term market positioning). This work serves as the rudder to your financial ship and its importance cannot be understated. It is more important than what product we actually buy.
- We monitor accounts and all products for profit taking opportunities. We pick the fruit while leaving the tree – this logic has worked effectively in our practice for ten years now.
- We deal with the “Seven Seasons” issues identified in this newsletter as they relate to investing and your portfolio.
- We communicate with you, the client, as needed on all of this.

#### On a Quarterly Basis:

- We manage cash flow needs in and out of the portfolio based on client goals.
- We monitor account risk levels and update paperwork or the accounts as needed.
- We continue to take professional development courses (in person, online) on operational topics, compliance topics, product topics, investment strategy and market conditions.
- We deal with fee collections and fee calculations.
- We review regulatory changes in the marketplace and impact on investments and your accounts with us.

#### On a Yearly Basis:

- We complete personal meetings or phone meetings with clients to review investment goals, asset allocation, performance and rebalancing – meetings for some clients are every week of the year – for others meetings are 2-4 times a year, and for others it may be once a year. The frequency depends on client preferences and investment style.
- We answer client inquiries, send emails and complete phone calls all year long from our entire team of seven on a variety of portfolio maintenance, scheduling, bond maturities, fees, paperwork and other financial planning matters.
- With statements mailed to your home, personal meetings, phone calls, emails, newsletters we send out and other mail, we may touch our investment clients more than 50 times a year and invest more than 40 hour a year in direct and indirect work on a client investment portfolio across our team of seven.



## Those Seven Seasons are a lot of Work!

Yes, they can be – but hopefully for us as your pro-active professional advisor and not for you. Your involvement can be limited to as little as four hours a year – perhaps two two-hour meetings with us to report to you on results, progress, lack of progress, problems, opportunities and your goals.

The hallmark of a good financial plan, good client and good advisor is defined by words and actions such as: goal based planning, integrated thinking, accountability, having a plan and sticking to it, transparency, pro-action, professionalism, top notch service, good listening, easy to reach, education at your pace, and perhaps the most important word of all: control.

Our goal is to make you feel that you are in good hands and in better control of your finances by working with us for a fair fee.

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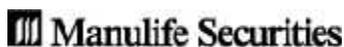
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### **The Wealth Management Practice of Kurt Rosentreter**

Kurt Rosentreter, CA, CFP, CLU, TEP, FMA, CIMA, FCSI, CIM  
Senior Financial Advisor, Manulife Securities Incorporated  
Certified Financial Planner, Manulife Securities Insurance Inc.

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MANULIFE SECURITIES INCORPORATED  
MANULIFE SECURITIES INSURANCE INC.

T: 416-628-5761 ext. 230 F: 416-225-8650  
TF: 1-866-275-5878 (1-866-ASK-KURT)  
kurt.rosentreter@manulifesecurities.ca