



BUMSTEAD FINANCIAL SERVICES

# Bumstead Financial Quarterly

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## Tips for the Tax Season

### View Your Investment Account Online

Would you like the ability to view your account values at any time? Rachel is able to set up online client access at your request.

Please contact her at 604.688.5022 or [r.morrisey@bumsteadfinancial.com](mailto:r.morrisey@bumsteadfinancial.com) if you would like a username and password.

### BFS Referral Program

As we mentioned in the previous newsletter, we have started a referral program designed to thank all those that pass our contact information along to friends and family members that they feel may benefit from our services. When we receive a referral, we enter the person's name that referred that client to us into a draw. The winner of the last draw for 2 Canucks tickets and a dinner at a restaurant of their choice, was **Mr. Karlo Villanueva**. We would like to thank Karlo and all those clients who helped us to grow our business. We appreciate the trust and business you have placed with us.

It is that time of year again where the deadline to file your personal tax return is looming. RRSP tax receipts, T3's and interest statements have been mailed out to all clients. If for some reason or another you have yet to receive the necessary information to file your return, please don't hesitate to contact Rachel and have her provide you with copies for your records.

For mutual fund clients, it is important to note that your realized capital gains/losses statements for non-registered accounts can be found in section 4 of the December 31<sup>st</sup> statement.

Capital losses can be used to offset gains in the previous three years and carried forward indefinitely. With markets taking a sizeable correction over the last 18 months, realized losses can help you to clawback some of the capital gains taxes paid in previous years and offset future gains once a recovery occurs. If you have any questions on where to locate this information or require further clarification, please don't hesitate to ask.

You may be finding that tax returns are getting more complicated and may be interested in the services of an accountant. At Bumstead Financial, we work with a wide network of accountants, lawyers and mortgage brokers, and can provide the name and contact information of an accountant in your area that is right for you.

It is always painful to realize how much tax we lose on our income at this time of year. An RRSP contribution is a great way to offset our tax bill. Contributions do not have to be made at the last minute and setting up a regular monthly contribution to your RRSP account is a great way to ensure that you will have ample deductions to income when filing your tax return. Contributions can be

started for as little as \$100/month and can be increased or stopped at any time.



As always, there is a wide variety of investment options available, including but not limited to, GIC's, aggressive savings accounts and equity based funds. One of our team members would be more than happy to sit down with you and discuss this strategy and how it relates to your overall financial plan.

Another savings vehicle gaining popularity this year is the Tax Free Savings Account (TFSA). Although this vehicle does not provide any tax deductions against earned income, it is a great way to save for short term purchases or expenses as income earned in a TFSA is non taxable and can be withdrawn without incurring taxes.

Finally, we would like to end on a high note. Over the last four weeks we have seen some positive moves in markets worldwide. No one can say for certain if this rally will be sustainable over the short term, however it serves as positive reinforcement that stock markets will recover and go above their former highs as they have always done. We appreciate you placing your trust and business with us and look forward to a long and prosperous relationship for many years to come.

## Calling All First Time Home Buyers!



**Fire the landlord!** It's a bit of a cliché in the real estate world but with prices down and rents still high, now is an excellent time to consider going it on your own. Money is cheap to borrow and the government is giving you incentives to buy now. Buying is not for everybody, and it's important to speak to your financial planner and mortgage broker to decide whether buying real estate makes sense for you at this point, but for many people a window has opened up in the Vancouver market and it's anybody's guess how long it will stay open.

**Money is cheap!** Interest rates are currently the lowest they have been in years, which is great news for first time home buyers. Just about everybody getting into the market is going to need to take on a mortgage and with lower borrowing cost. You can now get the same amount of money at a lower cost to you. What does that mean in real terms? There are many products out there but a very typical mortgage would be a 5 year fixed rate (meaning you know exactly how much you're paying every month) mortgage for 3.99%\*. In real dollars, that works out to about \$475.00 per month on every \$100,000 you borrow. A year ago, it would have cost you \$578.00 a month, all other things being equal. Interest rates are low now to entice people to spend. When the economy starts to recover, the borrowing cost will increase.

**Prices are down!** In Vancouver over the last 8 months, prices have come down quite a bit. Some statistics say prices are down as much as 15%. What that means is that a one bedroom condo that used to cost \$400,000 is now selling in the area of \$330,000 to \$340,000. Entry level properties are the first category to 'find the bottom of the market'. Their prices are also the first to stabilize, which has

certainly been true in the 2009 Vancouver condo market. One bedroom units are selling very quickly and if priced well are selling close to asking.

**Government Incentives!** The recently released 2009 federal budget contained two incentives exclusively for first time home owners. Firstly, they increased the dollar amount that first time home buyers can withdraw from their RRSP from \$20,000 to \$25,000 per person (up to \$50,000 per couple). When you factor in that those are tax-free dollars, it doesn't make any sense not to take advantage of the incentive. Secondly, the government is offering up to \$750 to help with your closing costs (things like your legal or notary fees or transferring the title of the property). They have also included lots of incentives to help you fix up the place if you buy something that needs a bit of work.

The silver lining to this economic downturn is that it has made it much more affordable and possible for first time home buyers to invest in real estate. In addition to paying yourself instead of the landlord, you are investing in something that has only ever increased in value over the long term. Today's economic climate has created a perfect storm for first time home buyers. Now it's just a matter of whether it's the right move for you.

If you have any questions or would like further information please don't hesitate to contact us at Bumstead Financial.

\*Rate current at time of print. For the most up to date rates, please contact your mortgage representative. If you don't have one, we would be happy to provide you with some recommendations.

### Bumstead Financial Services

1220-800 West Pender St  
Vancouver, BC. V6C 2V6

Phone: 604.688.5022

Fax: 604.662.3208

Email: [r.morrisey@bumsteadfinancial.com](mailto:r.morrisey@bumsteadfinancial.com)

[www.bumsteadfinancial.com](http://www.bumsteadfinancial.com)