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Did you know...

...that when you sell units of a non-registered mutual fund, which triggers either a capital gain or a capital loss, you will not receive a T-slip documenting this from the fund company? The tax information you need is summarized in the year end statement you receive from the fund company. This statement should be provided to your tax professional to enable them to properly complete your income tax return.

Tax Update

2006 saw the announcement of a number of significant tax changes, these include:

- The maximum RRSP contribution is increasing from \$18,000 in 2006 to \$19,000 in 2007. Contributions must be made by March 1, 2007, in order to be deductible for the 2006 tax year.
- The small business deduction increased from \$300,000 to \$400,000, as of January 1, 2007.
- The tax rate on dividends received in 2006 from public corporations has been reduced. This change makes earning dividends in non-registered accounts even more favourable.
- Changes in the taxation of income trusts (other than real estate investment trusts) were implemented to bring treatment of these entities in line with corporations, as of 2011.
- The 2006 federal budget completely eliminated capital gains tax on donations of publicly traded securities, mutual funds and segregated funds to registered charities.
- The 2006 federal budget also doubled the pension income credit for 2006 to \$2,000 of eligible pension income. Income eligible for this pension credit can also be split with a spouse or common-law partner beginning in 2007.
- A children's fitness tax credit will be applied to eligible fees up to \$500 for physical activity programs.
- The new Universal Child Care Benefit (UCCB) provides a \$100 monthly payment for each qualifying child under the age of six as of July, 2006.
- The full amount of any scholarship, bursary or fellowship income is now exempt from tax (as opposed to the previous limit of \$3,000 annually).
- A new non-refundable federal public transit pass credit, equal to 15.25% of the cost of the monthly passes, was introduced as of July 2006.

Please contact your professional tax advisor for more information on these and other tax changes.

JV Team News

As our team continues to grow, we are pleased to welcome Jody Bergen and Tracey Partridge to JV. Jody, our new Office Manager, comes to JV with a background in office management and human resources. Tracey joins JV after 14 years with the Credit Union in Prince George, as our new Client Services Specialist. We are also pleased to advise that Miranda van Zyderveld has moved into our Receptionist position. Finally, congratulations to Teodora Mircea on her new designation as a Certified Financial Planner (CFP). Congratulations on all your hard work.

*Dedicated to helping our clients create, preserve and distribute
all aspects of their wealth in accordance with their values.*

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In Search of...Yield

It has been said that investors have short memories. This is one of the reasons often cited to explain why many investors make the mistake of buying high and selling low, again and again.

In the low interest rate environment of recent years, many conservative investors thought that they had found the “Holy Grail” when they discovered income trusts. Here was an investment class that boasted extremely attractive yields, when compared to what GICs and bonds were earning, and on top of this offered the opportunity for capital gains as well. With many investors still wary of stock investing following very negative experiences in 2000-2002 in many markets, and a huge Baby Boomer generation approaching retirement, income trusts seemed like a cure-all.

Sensing this hunger for income, many companies answered the call and converted to income trusts. From January of 2000 to September of 2006, the capitalization of Canadian income trusts grew from \$20 billion to \$220 billion. This significant change, along with constant announcements of more and larger companies considering the conversion, did not go unnoticed. Fearing an ongoing loss of tax revenues, the Federal government moved in, and proposed tax changes that will effectively remove the tax advantage that income trusts have over corporations.

Perhaps it was the word “income” in the name that led people to believe high returns were virtually guaranteed, but in reality, income trusts behave more like equities than fixed income. The market’s reaction to this news was a sudden and dramatic drop that negatively affected the value of most income trusts, as well as those companies that had announced plans to convert to the trust structure.

While prices have rebounded in many instances, some trusts have already bantered publicly about converting back to a traditional corporate structure prior to the proposed trust law changes coming into effect in 2011. The experience has served to once again remind us that appropriate selection of investments in any asset class consistently tends to prevail over running to join an “investing fad” with our eyes firmly closed.

With interest in income trusts waning, many income-seeking investors are finding themselves again searching for added yield, while still wishing to remain inside the boundaries of the relatively safe fixed income environment. Some investments worth considering for this purpose may be:

- Federal or provincial government, “blue chip” corporate and high yield corporate bonds.
- Real Return Bonds - a longtime favorite of pension fund managers. These can provide inflation protection.
- Mortgages – Risk and return are dependent mainly on the credit worthiness of the borrower and the amount of equity backing the mortgage. Some mortgages and mortgage pools have been providing returns close to the double digit mark with acceptable risk profiles.

Though the current generation may never again see a CDIC insured GIC paying 10%, attractive fixed income options do exist in today’s market place.

*For more information please contact your
JV Advisor*

Open House

Thank you to our over 120 guests that attended our annual Christmas Open House and made it a wonderful success. Our offices were transformed with dozens of poinsettias, lights, banquet tables, and completed by the Quartetto Capilano quartet. The JV team enjoyed the opportunity to socialize and celebrate the holidays with all of you and were pleased to meet the guests that many of you brought.

Thank you to Fidelity Investments, TD Asset Management, CI Investments, ArrowHedge, AIM/Trimark, Standard Life, and Funky Petals for their generous donations of door prizes. And a special thanks to all of you for taking the time to join us at this busy time of year and make our event such a success.

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