

Weathering the Storm

You may find yourself inundated lately with news of the doom and gloom facing us in the current international financial crisis. With knowledge comes power and peace of mind, so here is some information to help you weather this storm...

Losses on Investments?

If you have your hands anywhere near the stock market these days, it might already be apparent that you will find yourself dealing with capital losses in 2008. To soften the blow, the tax system does offer some relief when incurring capital losses. Capital losses can be carried back three years and forward indefinitely on your income tax return.

The mere decrease in value of an investment or a portfolio does not represent a capital loss. You have a capital loss when you sell, or are considered to have sold, a capital property for less than its adjusted cost base plus the outlays and expenses involved in selling the property. Generally, if you incurred a capital loss in a year, it is applied against taxable capital gains for that year. Given the market trends so far in 2008, you might instead find that your 2008 capital losses exceed any capital gains you may have realized.

In such cases, you can use the net capital losses to reduce the tax on taxable capital gains you may have realized in any of the three preceding years. Unused 2008 net capital losses can therefore be carried back to 2005, 2006, and 2007.

If you are unable to fully apply the 2008 net capital losses to one of the three preceding years, the loss might still provide tax benefits in the future. You can carry the losses forward indefinitely and apply them against any capital gains, therefore offsetting some tax on such capital gains in any future year. It is very important that you track your net capital losses and gains for each taxation year.

You should be aware, however, that a loss is disallowed when you dispose of property for a loss, and you or a person affiliated with you, reacquires it within the month before or after the sale. Such losses are considered to be superficial losses.

We encourage you to meet with your investment advisor to determine whether it might be beneficial to trigger capital gains or losses before the end of the year.

Are Your Savings Safe?

With the recent demise of a number of financial institutions worldwide, some fear their money held with their financial institution may no longer be safe. You should rest assured that the Canadian banking infrastructure is generally viewed as one of the strongest and most secure in the world. Furthermore, in the extremely unlikely event of a Canadian financial institution failure, you are protected through various institutions currently in place in Canada.

Canadian Deposit Insurance Corporation (CDIC)

CDIC is a federal Crown corporation which insures Canadians' savings in case their bank or other CDIC member institution fails or goes bankrupt. There is no need to sign up for or pay for this insurance. Banks and other financial institutions that are a member of CDIC pay CDIC premiums.

If your bank or other CDIC member fails or goes bankrupt and your savings are covered by CDIC, you will get back up to \$100,000 of your savings in every CDIC member institution where those savings are held, if your savings meet all three of the following criteria:

Criteria 1: Your savings must be held in a bank or financial institution that is a member of CDIC.

Generally, most Canadian chartered banks, Canadian loan companies and trust companies that take deposits, as well as associations governed by the Cooperative Credit Associations Act that take deposits are CDIC members. Some financial institutions that take deposits are NOT members of CDIC, such as credit unions and caisses populaires, Canadian branches of foreign banks, and some Canadian chartered banks.

Criteria 2: Your savings must be held in eligible accounts/products. Examples of eligible accounts/products are: savings accounts and chequing accounts, GICs and other term deposits that mature in 5 years or less, and money orders, certified cheques, travelers' cheques and bank drafts. Examples of ineligible accounts/products are: mutual funds and other stocks, GICs and other term deposits that mature in more than 5 years, bonds, and treasury bills.

Criteria 3: Your savings must be held in Canadian dollars. CDIC does NOT insure any accounts or products in U.S. dollars or other foreign currency.

It is possible for more than \$100,000 of your savings to be insured by CDIC—if they are held in more than one of CDIC's six defined deposit insurance categories.

Canadian Investor Protection Corporation (CIPIC)

CIPIC protects you if your investment dealer becomes insolvent. CIPIC ensures, within defined limits, that your cash and securities are protected if you are an eligible customer of an investment dealer that is a Dealer Member of the Investment Industry Regulatory Organization of Canada.

Deposit Insurance Corporation of Ontario (DICO)

DICO is an Ontario Provincial Agency whose role is to protect depositors of Ontario credit unions and caisses populaires from loss of their deposits. You don't have to pay for this deposit insurance. Premiums are paid to DICO by credit unions and caisses populaires. If such financial institutions go out of business, your eligible insured deposits are protected up to \$100,000.

We encourage you to visit the above organizations' websites for more information, including a current list of organization members. We also encourage you to speak with your banker for further details and peace of mind.

This 'n That at Logan Katz...

Logan Katz is pleased to welcome the newest addition to our firm, Luke Schubert. Luke is a C.A. Student and recent graduate of the University of Ottawa and will be assigned to our assurance engagement team.

Logan Katz was a major sponsor of the recently held University of Ottawa Accounting Competition. Logan Katz offers its heartfelt congratulations to all 80 participants for their fantastic efforts, with special congratulations to the well deserved winners.

David Logan recently provided valuable advice to local entrepreneurs through consultations held at The Entrepreneurship Centre.

If you would like Logan Katz to prepare a presentation on a special interest topic, please let us know and we will gladly endeavor to accommodate your request.

