

Tax-Free Savings Account (TFSA) Rules Clarified



The Basics

Introduced in 2009, a registered Tax-Free Savings Account allows Canadians 18 years of age and older to save up to \$5,000 each year, tax free. TFSA investments can include term deposits, guaranteed investment certificates (GICs), mutual funds, publicly traded securities, and government bonds. Unlike an RRSP, contributions to a TFSA are not tax deductible.

The Benefits

Interest and investment income earned in a TFSA including capital gains are not taxed on withdrawal and there are no restrictions on how the money is spent. Funds can be withdrawn without penalty

and any amount you withdraw can be put back into the tax-free account without reducing your contribution limit. However, since its inception over 70,000 Canadians have managed to over-contribute to their TFSA.

Contribution Room

Eligible Canadians can contribute up to \$5,000 per year in a TFSA. Similar to annual RRSP contribution limits, unused TFSA contribution room can be carried over to the following tax year. For example, if you contributed \$4,000 of your allowable \$5,000 to a TFSA in 2009, in 2010 you are eligible to contribute \$6,000 (\$1,000 of the unused portion from 2009, plus \$5,000 for 2010).

Over-Contributions

If you have multiple TFSA investments, it's important to keep track of each so that you don't exceed your contribution room. Following the example above, if you over-contribute to your TFSA by contributing a total of \$7,000 in 2010 (an over-contribution of \$1,000), you may be subject to a one-per-cent penalty

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NOTICE of our 66th ANNUAL GENERAL MEETING

Wed., APRIL 13, 2011

at the

EAGLES' HALL
29 French Street,
Ladysmith, BC

DIRECTOR NOMINATIONS

At the Annual General Meeting to be held on April 13, 2011, the terms of 2 directors will need to be filled, each for a 3 year term.

All candidates seeking election to the Board of Directors must complete and submit a nominations package to the Nominations Committee by the nomination deadline of February 16, 2011. Packages can be picked up at the Credit Union or downloaded from our website at www.ldcu.ca.

Each member in good standing of the Ladysmith & District Credit Union who is 19 years of age or older, is entitled to sponsor the nomination of one candidate. According to our Credit Union Rules, a member in good standing is a member, who at the date on which good standing is determined:

a) has purchased, paid for, and holds, the number of Membership Equity Shares required by the Rules;

b) has been a member of the Credit Union for at least ninety (90) days;

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"Who knew there'd be such a substantial penalty for early withdrawal."

for each month the over-contribution stays in your account. This process seems straight forward enough, but withdrawing funds from their TFSAs has caused confusion among thousands of Canadians.

Just remember, your TFSA doesn't work exactly like a regular savings account. Although funds can be withdrawn anytime without penalty, you can't deposit funds back into your account whenever you want. The Canada Revenue Website states, "The total of TFSA withdrawals in a calendar year is added to the TFSA contribution room for the next calendar year." This means that if you contributed \$5,000 to a TFSA in 2009 and withdrew it in the same year, you can't recontribute that \$5,000 until 2010. This is because you've used up your entire contribution room for 2009. In 2010, however, you will have contribution room of \$10,000.

The Good News

Revenue Canada, acknowledging the lack of clarity around the TFSA rules, has announced that it will give Canadians a break and not levy penalties for over-contributions made in 2009.



Looking for a new home?

Take advantage of historically low interest rates and contact one of our lending specialists today.

Check out how our mortgage rates* stack up against Canada's major banks.

	1Yr	3Yr	4Yr	5Yr
LCDU	3.25	4.00	4.75	5.00
CIBC	3.35	4.15	4.94	5.19
TD Cda Trust	3.35	4.15	4.94	5.19
Scotiabank	3.35	4.15	4.94	5.19
Royal Bank	3.35	4.15	4.94	5.19
BMO	3.35	4.15	4.94	5.19

*First Mortgages: Fixed Rate Closed Rates effective as of December 24, 2010. OAC. Rates may change without notice.



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LDCU is proud to welcome home one of its own!



The Ladysmith & District Credit Union is pleased to welcome Rob McIntyre as our newest Member Service Representative, (MSR). As an MSR Rob will be an integral part of our Member Services team.

Rob was born in Nanaimo B.C and raised in Ladysmith until leaving for Victoria at the age of 26 to further his education. After spending close to four years away and having a daughter Rob decided to come home and give his daughter Abigail the same privilege he had: raising her in the very town where the majority of his family had been raised.

Rob spent more than six years with TD Canada Trust at various locations within Victoria and most recently in Duncan as a Financial Advisor. Rob brings a tremendous amount of investing experience to the Ladysmith & District Credit Union including mutual funds, and he is very much looking forward to helping our members reach their financial goals and dreams.

If you happen to be in the branch in the New Year, be sure to stop by and give Rob a Ladysmith Credit Union welcome!

DIRECTOR NOMINATIONS continued from page 1

c)is not more than ninety (90) days delinquent in any obligation to the Credit Union; and

d)has paid an annual membership fee as determined from time to time by the Directors, (if required).

Please note:

1. Where each member in joint tenancy individually holds sufficient Membership Equity Shares to meet membership requirements, (\$25 per separate member), both may nominate a candidate.
2. A member that is a legal entity and not an individual, (i.e. limited company, registered society, or other legal entity), may authorize in writing, one person, on its behalf, to exercise its right to nominate a candidate.
3. Credit Union members who are eligible to stand for election to the Board of Directors must qualify pursuant to the Company Act, Financial Institutions Act, and the Credit Union Incorporation Act. In addition, the must be a member in good standing for a period of 12 consecutive months, be a minimum of 19 years of age, and qualify subject to the Rules of the Ladysmith & District Credit Union.

Strength in Numbers.

Get more with our RRSP Rate Climber.

Our interest rates didn't make us the local RRSP leader, our Members did. LDCU's **4-Year Rate Climber RRSP** offers a higher interest rate every year you remain invested. It also offers the option of redeeming it on each anniversary date.



Already have our RRSP? LDCU's exclusive **4-Year Rate Climber** can be used for a GIC or a TFSA too. Guaranteed deposits, higher rates and a sound local investment make it easy to see why LDCU is the local financial investment leader.

There's strength in our numbers. Join today.

Rates subject to change without notice. Annual compounded rate of return 2.85%. See full details in-branch.



You probably have a grocery list and a to-do list, but if you haven't thought about your RRSP yet, you'll want to make this one part of your collection too. Remember that the contribution deadline this year is March 1, 2011. As long as you make your contribution before then, you can still claim it on your 2010 personal income tax return.

Here's what you need to do:

1. Dig out your Notice of Assessment from Revenue Canada. It tells you how much you can contribute to an RRSP for the past calendar year and how much unused contribution room you have from previous years. If you can't find the Assessment, don't panic. You can call Revenue Canada (1-800-959-8281) or calculate your own contribution limit. The contribution limit for the 2010 tax year is \$22,000, unless you have unused contribution room which could make that amount greater.
2. If the amount you are allowed to contribute is more than you have on hand, consider a loan. The interest you pay on RRSP loans is usually less than the amount you can earn on your investment if you repay the loan within one year. Plus, you get the tax refund, which means that you can repay the loan faster (paying even less interest), or you

can put the refund in your RRSP (earning even more interest), pay down your mortgage or just spend the windfall.

3. When you talk with us about getting a loan and where to invest your RRSP contributions, it's a good idea to set up a monthly contribution plan so you won't have to go through all this again next year. Monthly contributions to RRSPs will put you further ahead than making one lump sum contribution at the end of the year, even if the rate of return on both types of contributions is the same. If you are purchasing stocks or mutual funds through a monthly plan, you also benefit from dollar cost averaging.

4. If you're part of a couple, make sure that both of your RRSPs are about the same size. The partner with the higher income can contribute part of his/her contribution to the one with a lower income through a spousal plan. The

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DID YOU TRY SWITCHING OFF AND SWITCHING IT BACK ON AGAIN?

We're committed to our environment.

Please help us be green by recycling and passing this newsletter on to friends, family, co-workers and neighbours, who may not have received a copy.

partner with the higher earnings is in a higher tax bracket and will get a larger return. When you both retire, it makes sense for you to have equal amounts in your RRSPs because the tax assessed will be lower than if all of the income was in one partner's name.

5. Assess your risk tolerance. Stocks and mutual funds can have a downturn, and most mutual funds do not protect your original principle investment. Term deposits and GIC's usually have some type of deposit guarantee. At the Ladysmith & District Credit Union the deposit guarantee is unlimited, and offers the best protection available in the industry. Diversifying your investments can

help protect you during downswings in interest rates and the economy. At the Ladysmith & District Credit Union, our investment specialists can help to find the strategy that's right for you.

Finally, if you're reading this list and it's too late to do most of the things on it or you just don't have time to worry about it right now, just contribute to an RRSP savings account. The interest on these accounts is very low, but you are able to transfer your funds into a different type of investment without any penalty. Just be sure to make an appointment with one of our investment advisors to sort out your options first!



Above is a picture of CEO John de Leeuw presenting a donation on behalf of the Credit Union to the Nanaimo-Ladysmith School Foundation. These funds will be utilized within Ladysmith schools for students in need."



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