

The 2007 Federal Budget and Your Financial Plan

As you know, Finance Minister Jim Flaherty delivered his second federal budget on Monday in Ottawa.

This budget has many items that could affect your financial plan and present additional savings and investment opportunities. In case you haven't had a chance to review the media coverage, I thought you would appreciate a quick overview of the federal budget.

New Child Tax Credit: A new \$2,000 child tax credit will provide up to \$310 of tax relief per child under 18.

Spousal and Other Amounts: The government increases the spousal and dependent amounts to match the basic personal amount for families with only one breadwinner. This will provide up to \$209 of tax relief for a supporting spouse or single taxpayer that is supporting a child or relative.

Registered Education Savings Plan (RESP): The lifetime RESP contribution grows to \$50,000 from \$42,000 and the government will increase the amount of annual contributions eligible for the 20% Canada Education Savings Grant to \$2,500 from \$2,000. They also plan to eliminate \$4,000 annual limit on contributions and extend RESP eligibility requirements to more part-time studies.

Registered Disability Plan (RDSP): The RDSP, expected to debut in 2008, will help secure the financial futures of children who have severe disabilities. Parents or guardians of such children can contribute to an RDSP and receive matching contributions from a Canada Disability Savings Grant of 100%, 200% or 300%, depending on family income. The RDSP is based on the existing RESP model.

Age Limit for Maturing Retirement Plans: Seniors will now have until age 71 instead of age 69 to convert their Registered Retirement Savings Plans and Registered Pension Plans.

Lifetime Capital Gains Exemption: Effective immediately, the government will increase the lifetime capital gains exemption for small businesses, farmers and fishers to \$750,000 from \$500,000.

0% Capital Gains on Donations: Those who wish to donate publicly traded securities to a private foundation will no longer have to pay capital gains tax.

I hope you find these highlights useful. If you'd like to discuss these and other federal budget initiatives and how they affect your financial plan, please don't hesitate to contact me.