"Designing Predictable Futures for Entrepreneures, Professionals and Business Families"

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The Financialist

FALL 2006

GETTING, GROWING AND GIVING BACK

By Gordon Wusyk, President & Founder

In the 90's when I was elected to the Reform Party Executive Council, Stephen Harper was my chief policy advisor and mentor. Now he's advising the entire nation. When he asked me to introduce him at our CALU annual meeting in Ottawa in May I was truly honored but I'm even more honored by what he has done since being elected to national leadership.

Much of his election platform has become reality. He keeps his promises. His attention to "giving back" to tax payers has energized an explosion in charitable gifting from private owners across the country, benefiting hundreds of charities and thousands of individuals. This newsletter, in part, focuses on one of Stephen's initiatives.

Welcome to the Fall issue of the Finanialist where our theme is "getting, growing and giving back". After 39 years as an estate, financial and succession planning advisor, I am still continually overwhelmed by the generosity of the private business owner. Statistics tell us that 60% of all philanthropy comes from this sector and not just during boom times. We have witnessed the joy that comes from "giving back" as we witness a number of our clients redirecting a significant portion of their income or capital to the community rather than to the federal and provincial government coffers. Social entrepreneurship truly exists and is expanding.

Significant charitable gifts are created when:

1) Publicly traded shares can be gifted totally free of tax.
2) The benefits to the donor, his or her family or beneficiary and the community are clearly understood.
3 Unique and innovative tax, estate and/or succession planning strategies are used to achieve the goals of the donor while maximizing results.
4) Gifting is established as one element of an overall coordinated estate and succession plan that includes all aspects of the donor's circumstances.

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This issue...

CANADA THANKS PRIME MINISTER STEPHEN HARPER!

By Jane Trentini, CFP CLU

For unlocking Greater Private Wealth for Public Good

So you've made a great gain on some stock and you'd like to help your favorite charity.

Good News! The federal government announced new rules last May for enhanced tax relief.

How can you take advantage of the new rules?

How It Works

If you donate your appreciated security* – not cash – to charity you are entitled to enhanced tax relief.

With the new rules, none of the capital gain of the eligible stock is included in your income, unlike before.

The charity receives the donation of stock, cashes it in, pays no tax, and has immediate use of the donation.

In addition to not having to pay tax on the gain, the donation provides you with a tax credit equal to the highest marginal tax rate in your province.

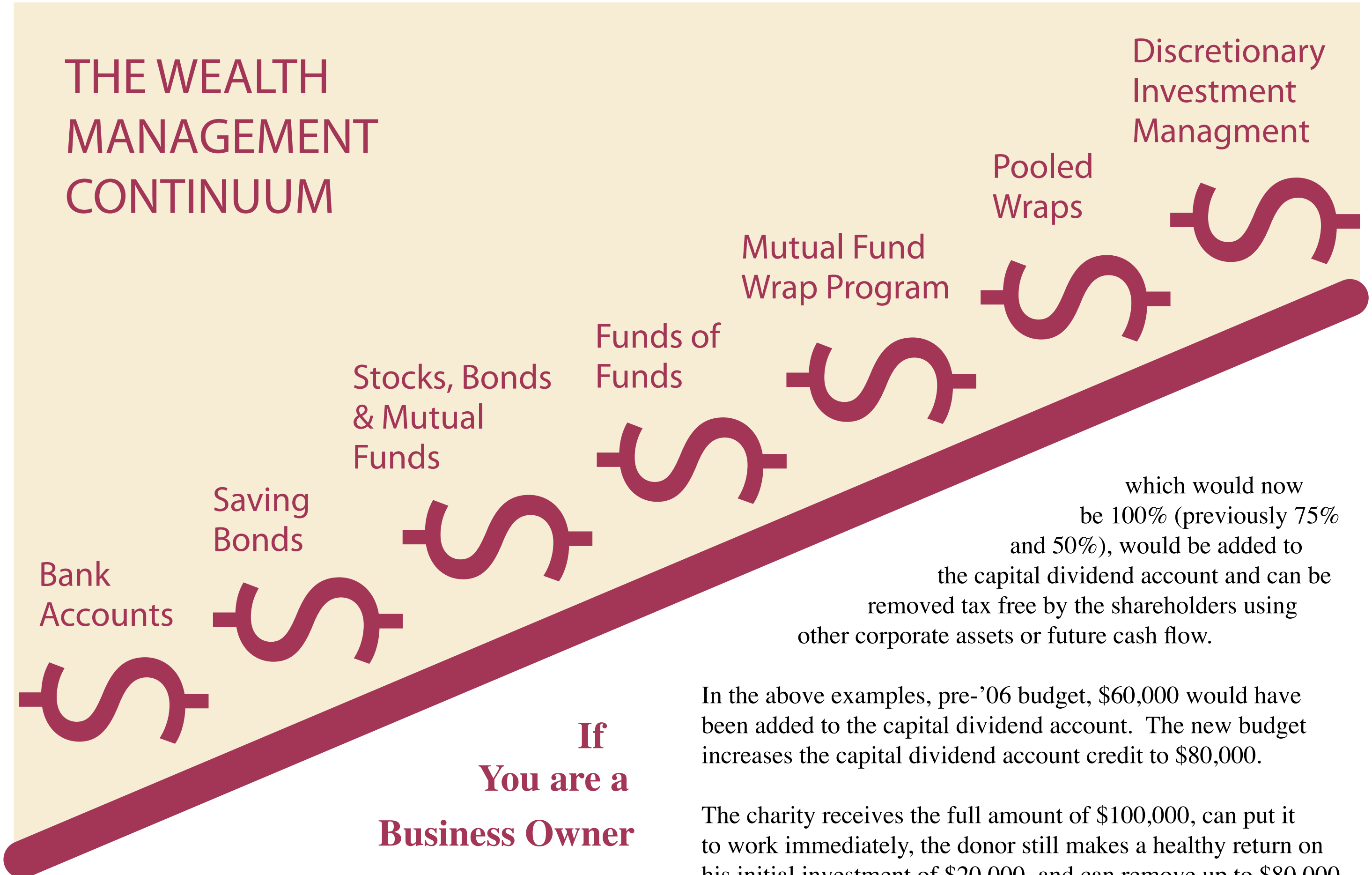
For example, assume a donor makes a $100,000 donation of publicly-traded
securities where the original cost was $20,000 for an $80,000 capital gain.

The charity receives the full amount of $100,000, can put it to work immediately, and the donor still makes a healthy return ($21,750 in Alberta) on his initial investment of $20,000.

See the following example

EXAMPLE ALBERTA TAX RATE (39%)

	Cash Donation (A) (Cash Out Then Donate)	Donating Securities Pre-Budget (B)	Donating Securities Post-Budget (C)
Fair Market Value of Donation	$100,000	$100,000	$100,000
Assumed Adjusted Cost Base	($20,000)	($20,000)	($20,000)
Capital Gain	$80,000	$80,000	$80,000
Taxable Gain (50% vs. 25% vs 0%)	$40,000	$20,000	$0
Tax on Capital Gain (at 39%) (a)	($15,600)	($7,800)	$0
Tax Benefit of Gift (at *41.75%) (b)	$41,750	$41,750	$41,750
Net Tax Benefit (a + b)	$26,150	$33,950	$41,750
Tax Savings From Donating Securities Instead of Cash		**$7,800**	**$15,600**



If You are a Business Owner

If you are an owner-manager you may be interested in donating through your corporation.

Business owners can benefit from their corporation's "capital dividend account".

When public securities are donated to charity, the tax free portionof the capital gain resulting from the donation, which would now be 100% (previously 75% and 50%), would be added to the capital dividend account and can be removed tax free by the shareholders using other corporate assets or future cash flow.

In the above examples, pre-'06 budget, $60,000 would have been added to the capital dividend account. The new budget increases the capital dividend account credit to $80,000.

The charity receives the full amount of $100,000, can put it to work immediately, the donor still makes a healthy return on his initial investment of $20,000, and can remove up to $80,000 tax free from the corporation, as cash becomes available.

**AB's tax credit is 41.75% for personal donations – higher than the top marginal tax rate of 39%.*

**Publicly-traded shares, bonds, units of a mutual fund trust and shares of the capital stock of a mutual fund corporation donated to a registered public charity (not to a private foundation).*

...Continued from cover page.

Private owners by enlarge are careful stewards of capital. They want to maximize accumulating wealth during their "earning period" in order to be well prepared during their "yearning period". They want to know how to reduce current tax on income, how to enhance investment returns through discretionary money management, how to protect their assets from family law issues, avoiding what the "silent partners" might take at death and how to distribute the accumulations of a lifetime equitably among family members, and how to protect assets from unforeseen attacks. Once private entrepreneurs are educated about establishing purposeful goals and given a thoughtful implementation strategy they are in the position of giving serious consideration to "giving back" to the community that assisted them in creating their prosperity and wealth in the first place.

Our role at The Wusyk Financial Group is to act as a planning coach and mentor during the earning period and to introduce innovative and creative wealth management and gifting tools during the yearning period where the retiring owner is focusing on completeness (balance) and contribution (significance vs. just success). We all want to have completed a purposeful life by sharing our time, talents and our treasure with those who cannot help themselves or need our wisdom to make tomorrow a better place. Our life should create something that outlasts it.

Because of this perceived desire and the niche market we work in (high net-worth and private entrepreneurial market), we have expanded our planning offerings to include discretionary money management, estate protection strategies and creative charitable gifting techniques. When these tools are carefully combined the results are often considerably more beneficial than anyone would have imagined - and our society is a better place for it.

DONATING PUBLICLY TRADED SECURITIES

Tax Tip (as per a recent article by Tim Cestnick)

Keep Most, Make A Donation, Eliminate Tax

Assume:

$100,000	Security Fair Market Value
$ 50,000	Cost Base
$ 50,000	Capital Gain

Let's say you don't want to donate 100% of your holdings in a particular security to charity. You want to reinvest in something else. Consider liquidating the security, as you've planned, but first donate only enough of those securities to charity to fully eliminate the tax on the rest of the shares you are selling.

Here's how you can determine the exact value of the securities to donate to eliminate your tax –

> *"We make a living by what we get,*
> *we make a life by what we give"*
> *- Sir Winston Churchill*

FMV x FMV-ACB / 3 x FVM - ACB
$100,000 x $50,000 / $250,000 = **$20,000**

Cash Out & Keep - $80,000
Tax Liability = $7,800

Donation - $20,000
Tax Credit = $7,800
(0 Tax on Gain of Security upon Donation)

Results:
Keep - $80,000
Favorite Charity - $20,000
Tax Department - $NIL

Too Good to Be True?

It is now possible to create a gift through your will for a "positive" net cost that can:

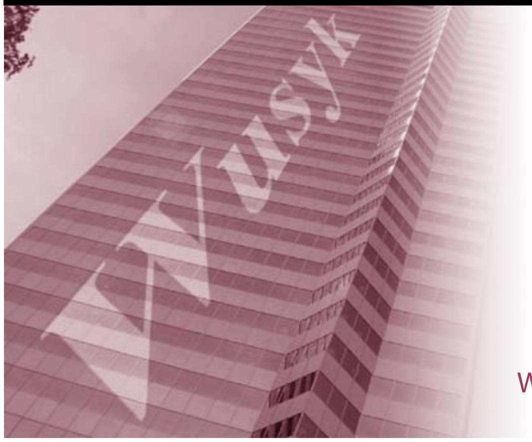
1) Eliminate all your tax due at death
2) Made your favorite charity ecstatic
3) Preserve 100% of your estate
4) Create "tax free dividends" to the next generation
5) Teach your successors about values as well as valuables

STAY TUNED FOR THE NEXT ISSUE OF THE FINANCIALIST!

Young Life of Canada

The Wusyk Financial Group continues to support the work of Young Life of Canada. Young Life is a group of Christian Adults committed to sharing positive biblical lifestyles with high school and junior high school students.

The Financialist How To Reach Us



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