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How will campaign promises affect your bottom line?

Political parties are proposing a number of changes that could mean a difference of hundreds, even thousands, in your bank account

BY SARAH FRANK

In a riding where the need for good-paying, full-time jobs has dominated much of the federal election campaign, Peterborough-Kawartha candidates aren't spending much of their time talking tax issues with voters.

And while securing a reliable job is the first step to building a financial future, political heavy-hitters are proposing a number of other policies that could mean a difference of hundreds -- even thousands -- of dollars in some Canadians' bank accounts. Among the most debated include the Liberal's plan to cut taxes for middle-income earners and the Conservative's pledge to increase the annual contribution limit for Tax Free Savings Accounts and a move to scrap or limit income-splitting.

Despite the potential impact on personal and family finances, retired economics professor Harry Kitchen says few voters likely know how those policies will affect their bottom line -- a confusion that's often shared by party leaders and their candidates.

"What Canadians want may be driven by what leaders are telling them," he says.

He doesn't expect economic policy will drive many votes come election day.

"I think there are two groups of people who are voting in

this election," he says.

"People are going to vote Conservative come hell or high water and people who don't like the leaders (of the political parties)."

No matter what convinces Canadians to head to the polls, Mr. Kitchen says most citizens share many of the same concerns -- one of the most pressing being the need to have enough money to retire comfortably.

Kevan Herod, an independent financial advisor, agrees, saying retirement planning makes up a large part of his business.

Simply put, he says Canadians know they need to put money away for their future and they come to an advisor to determine the best way to grow their wealth without taking more money out of their wallet.

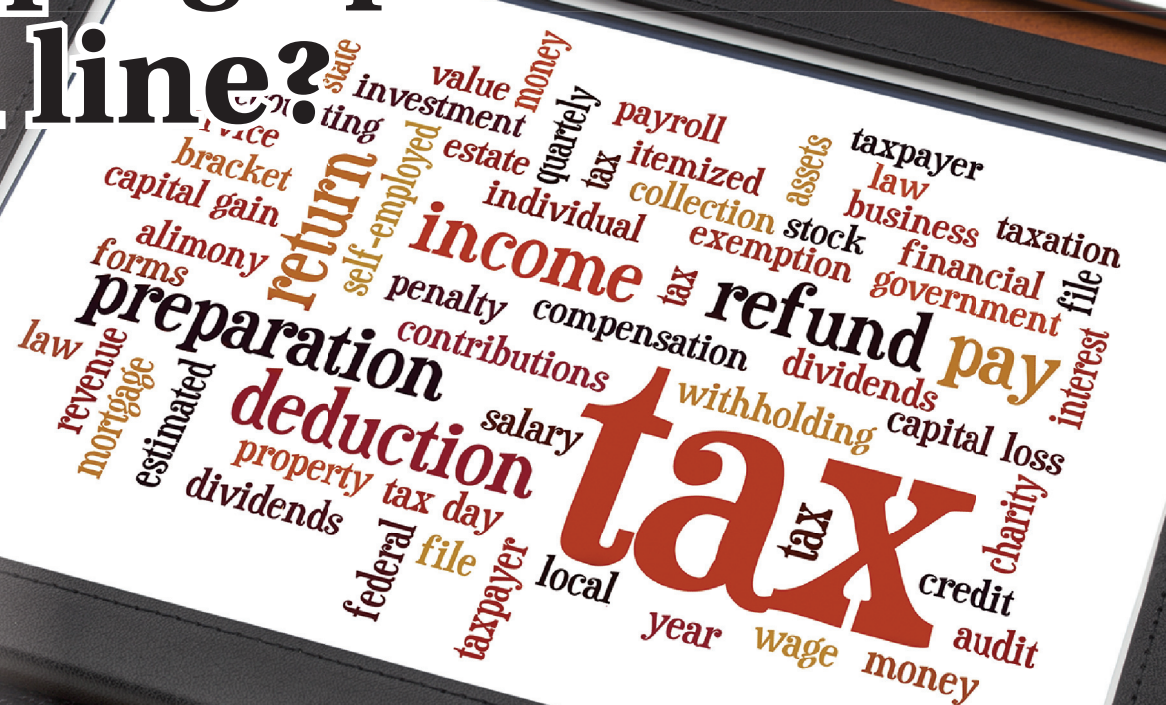
He says most people don't know enough

about tax policy to consider the implications of policy changes to their own financial plans.

That lack of knowledge isn't necessarily a bad thing, he says.

"The last thing you want to be is reliant," he says. "You don't want to hinge your retirement on what the government or your (workplace) is doing."

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'You don't want to hinge your retirement on what the government or your (workplace) is doing'

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Here are a few highly-debated policy proposals that could have an impact on Canadians' pocketbooks:

Income Tax:

The federal income tax system currently has four tax brackets, with tax levels increasing as income reaches, \$44,701, \$89,401 and \$138,586.

While the NDP has vowed not to raise personal income taxes, the Liberals are suggesting cutting back the tax rate for middle-income (\$44,701 to \$89,401) from 22 to 20.5 per cent. Under the proposal, the tax cut will be paid for by the introduction of a new tax bracket, which will tax any income over \$200,000 per year at 33 per cent.

Mr. Kitchen says while the savings for middle income earners might not be substantial, the plan is a move toward a more progressive tax system.

Under the Liberal plan, the top tax bracket would be taxed at 53.3 per cent when combined with Ontario's provincial income tax rates.

The Green Party is proposing to eliminate income tax for those who make \$20,000 or less while the NDP has vowed not to increase tax levels.

Tax Free Savings Accounts

The Conservatives are proposing hiking the annual contribution limit for these accounts from \$5,500 to \$10,000 annually — a move both the Liberal Party and NDP say will only benefit the wealthy. Those in favour of the plan say it gives a leg-up to Canadians who can make some extra money off the high interest rates without being taxed on the capital gain. Those against the plan say it's only beneficial for those who can afford to save the extra \$4,500 per year.

Income Splitting

This practice allows a couple to transfer up to \$50,000 of income from the higher-earning person to the lower-earning person to avoid paying taxes in a higher tax bracket. If it's used to transfer the full \$50,000, it's worth up to \$2,000 in income tax.

While it aims to help in situations where one of the people in a relationship isn't working or when there is a huge gap in income, it's been criticized as having little benefit for low-income earners or couples with similar salaries.

The Conservatives are planning to continue the practice while the NDP and Liberal party would scrap the policy (pension-splitting rules for seniors wouldn't be affected).

Old Age Security

Currently, seniors are eligible to receive Old Age Security benefits when they turn 65. The Conservative party is proposing to put off giving out the monthly payment until seniors turn 67 -- a move they say makes sense since Canadians are living and working longer than they have in the past.

The Liberal party has countered the proposal

saying it could mean a loss of income of up to \$30,000 for some seniors. The NDP is also planning to return the retirement age to 65.

Universal Child Care Benefit

The Conservatives are planning to boost the current benefit amount from \$100 to \$160 per month for children under age six while adding a new monthly benefit of \$60 for children age six to 17. That proposal works out to \$1,920 and \$720 per year respectively.

The NDP is planning to continue the benefit while the Liberals are planning to revamp the benefit to a geared-to-income model, which would see low-income earners receive more than high-income earners. The Liberal plan would see a low- to middle-income earner receive up to a few thousand more than a high-income earner through the benefit.

Peterborough-Kawartha candidates weigh in

Mike Skinner - Conservative : "People are worried about stability and security," he says.

He adds the Conservatives aren't targeting any specific groups with their policies -- and he doesn't see any value in taxing high-income people more, especially since many choose to give back to their communities.

"We realize people are working hard to make money. We want them to keep it. I believe Canadians are very generous people -- the government doesn't need to take money away in order to force generosity," he says.

Maryam Monsef - Liberal: "Cancelling the Universal Child Care Benefit and focusing on the 85 per cent of families who need the money the most will have a much greater impact," she says. "Nine out of 10 families will benefit from our plan more -- and won't be taxed. We're going to lift 315,000 kids out of poverty."

Ms Monsef was raised by a single mom and says she would have benefited greatly from some of the Liberal proposals.

"Under (Stephen) Harper's plan, she wouldn't have benefited at all."

Dave Nickle - NDP: "We are going to increase the payout for the Canadian Pension Plan (CPP) so it doubles over time," he says, adding he recently spoke to a couple in Apsley who is surviving solely on CPP payments. "They are going to food banks -- that's just wrong."

He says the NDP will also block companies from making changes to pension plans once an employee has retired.

Peterborough-Kawartha Green Party candidate **Doug Mason** was unavailable for comment by press time.

Toban Leckie, a candidate for the Strength in Democracy party, was not contacted for comment. The economic platform put forward by the party focuses on policy to encourage entrepreneurial growth and tax issues relating to small and medium-sized businesses.

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