VOLUME TWO, #2 APRIL 2009 Q-2

IDEAS & PERSPECTIVES ON BUSINESS, INVESTMENT & ESTATE PLANNING

the Capital Partner

Protecting Capital, Preserving Dreams, Creating Legacies

When a Small Business Changes Hands

There are several key challenges to consider when you transfer ownership of a small business. The benefits can be considerable if you do it with care.

WHEN A PROSPECTIVE BUYER arrived at **Reg Gilchrist's** door years ago with an offer to purchase his company, he had little choice but to accept the proposal.

Gilchrist, one of Canada's best-known distributors of coin-operated games, shuffleboard and pool tables and vending machines, had run his Toronto-based company for more than 40 years.

His son, Tom, had left a promising sales career to join the company and would have bought the business himself, but at the age of 25, couldn't come up with a competitive offer.

Nor could he pay the taxes on the company if ownership were transferred to him. So Reg Gilchrist sold his business, then helped his son start another one, called T. W. Gilchrist Vending Co.

Looking back on that period, **Tom Gilchrist** says it was a difficult decision for his father. If his own children decided to join the newer family business, Tom says, "I'd lay out the carpet for them."

About one million businesses currently operate in Canada with 100 or fewer employees. Like Gilchrist, their owners have to plan now for the time when they sell their company or pass it on to their family or beneficiary.

In fact, a few hours of planning now could save a lot of time and money in the future and could even make the difference between selling the business or keeping it in the family.

With the help of an advisor, an owner can develop one of several possible plans that will minimize taxes and maximize the value of the company when it passes to the next generation:

- **Make full use of your lifetime $750,000 capital-gain exemption**, if available (this applies only to incorporated companies)
- **Consider an estate freeze**, which allows you to retain control over the business while freezing the value of your interest in it so you can pass future growth on to the next generation
- **Purchase life insurance** to address an anticipated tax liability in your estate or to keep the company afloat while your beneficiaries search for a buyer or reorganize the management team

Determine the Value

In planning to transfer a business, an owner first has to assess the value of the company. The value can be

(Continued on page 4)

GORDO'S CAPITAL COMMENT

The BC Election, Corporate Process & Shareholder Participation

IT'S ELECTION SEASON IN THE PEOPLE'S REPUBLIC OF BRITISH COLUMBIA. Voters head to the polls on May 12.

BC's election cycle is unique in Canada. When **Gordon Campbell** and the BC Liberals were first elected in 2001, the new premier decreed provincial elections would be held every four years - in May (the second decree was an income tax cut which gave us one of the lowest rates in Canada).

Campbell has been true to his word. We last went to the polls on May, 2005. Should the Liberals win a third term in office, we'll be at the polls again in May 2013.

This process makes it fair for everyone. It ends speculation about when the next election will be called. News outlets, opposition members, constituency organizations all benefit. Time and resources spent on that guesswork has been eliminated.

And, even if it's a footnote in the chapter of Canadian Democracy, the implementation of this cycle reflects an electoral system which is fluid, dynamic and responsive to change. (The previous government clung to power and didn't call an election until forced in their fifth year. This contempt for the electoral process resulted in only two MLAs from that party being re-elected).

The May 12th election coincides with other Springtime events like taxes, yard work, minor league baseball, soccer and the Stanley Cup Play-offs.

If you are a shareholder of publicly traded companies, this time of year your mailbox is full of annual reports, AGM info and proxies.

When this info is received, each shareholder is entitled to vote for their choice of directors, auditors and corporate resolutions.

Most of the time, the corporate resolutions originate from management or the board (e.g. should the corporation merge or divest different business divisions, etc). Sometimes the resolutions originate from other shareholders wanting to pass an issue they think is important. Executive compensation seems to be a hot topic these days.

The results of millions of shareholders voting from around the globe are tabulated, authenticated and reported by an accounting firm or a trust company

To simplify this process, share holders can vote my via mail, phone, sometimes fax or via the internet on a website.

It therefore begs the question, "if we can do this for multinational corporations with millions of shareholders, is there any reason we couldn't replicate this process in our federal, provincial and municipal elections?"

It would probably save time and money. It may increase voter participation. And, a new generation of voters might be more inclined to participate given their propensity for things digital. Maybe they could text their votes (like they do with American Idol).

I don't expect changes any time soon. But as long as leadership is open to practical solutions (versus ideological ones) I am hopeful.

Don't forget to register and vote on **Tuesday, May 12**. m

***the* Capital Partner**

is published by
Gordon Wiebe of the
STANLEY GORDON CAPITAL CO.

Business Owners, Executives, Professionals and Investors are encouraged to work with qualified professionals when establishing and implementing their financial plans. Plans should be reviewed periodically and updated as business climates and taxes change.

This publication includes ideas, discussions and presentations by accounting professionals, lawyers, estate planning practitioners, portfolio & business managers. Articles are for reference only and should not be deemed as legal, accounting or investment advice. Circumstances vary. Consult qualified professionals about personal business matters.

Readers are encouraged to consider those practices & principles championed by:
Warren Buffett & Charles Munger
of Berkshire Hathaway.

These principles suggest all investors:

- view themselves as business owners
- consider taxes & fees when investing
- avoid speculation, market timing. etc.
- hire executives / managers who are honest, capable and think like owners
- seek long term competitive advantages

Annual subscription fee is $48 (e-mail), $96 (snail-mail) for 10 issues plus e-mails. Subscriptions to financial publications may be tax deductible - ask your tax accountant.

Questions, comments, criticisms & submissions are encouraged for publication - although submissions may be edited for accuracy, style, content and brevity.

Send to:

Gordon Wiebe BTh, BEd, FMA, FCSI, CIM
EDITOR / PUBLISHER
email: gswiebe@gmail.com
ph. 250-826-7422
fax: 1-866-286-7422

This is not a solicitation for securities. Wiebe is licensed in the provinces of BC, Alberta and Saskatchewan to provide advice on annuities, segregated funds and GICs (life insurance). A referral network may be provided for individuals seeking qualified professionals or private investment counsel. E. & O.E.

When the Going Gets Tough, The Smart Stop to Consider the Tax Implications

By Dan McKinley,
Tax Services, Grant Thornton

WILL I BE ABLE TO REPAY MY loans? Will my operations remain stable? Am I going to incur losses from which I can't recover?

These are just some of the ways nervous Canadian business owners are asking the same basic question: What does the financial future hold for me and my company?

A major economic downturn is no longer looming—it's here. And the credit crunch is squeezing businesses of all sizes, across all sectors. With these pressures bearing steadily down, business owners are looking not only to cut losses, but to recoup wherever possible. This is where creative strategies can come into play.

But the Canada Revenue Agency (CRA) is increasingly on guard, and tax-wise, there are as many traps to avoid as there are strategies to consider. Let's look at some key areas you might need to address.

Directors' Liability

When the economy's booming and companies are turning a consistent profit, the prestige of holding a directorship is an invariable lure. In an economic downtime, however, there are certain associated risks that many aren't fully aware of.

If a business fails, for example, a director of that business may incur liability for such things as unpaid GST or payroll deductions, and this liability can extend up to two years after the directorship is relinquished.

Moreover, even if you're not officially a director, you may be considered one if you're determined to have acted in that capacity. And under current income tax legislation, the CRA can immediately determine liability with no court action required. For all these reasons, it may be a wise tax strategy to assess your situation and determine whether you want to continue to act in this capacity.

Asset Protection

Issues may also arise for owners if there has been a transfer of assets between themselves and their corporation. Often, owners will decide to purchase assets from the company—such as real estate or shares in other corporations—in order to prevent their seizure should the company fail, or in payment of a debt owed them by the company.

In such cases, the CRA will look closely at whether or not the transfer has been executed at fair market value; if not, you may find that you are subject to tax to the extent the fair market value of the property exceeds its sale price. There can also be legal concerns around the timing of withdrawals and distributions from your company when it's in financial difficulty.

Debt Resolution

At the same time as companies are cinching up the purse strings and looking for financial help, banks are becoming more rigorous—extending new loans warily, expanding reviews of existing loans, demanding thorough client asset reviews, and generally exercising more caution and oversight with respect to their lending activities.

This is not, however, to say that banks are entirely inflexible, and they do still need to do business and maintain their clientele. So if you have outstanding loans and are increasingly concerned about your ability pay, it can be worthwhile to discuss alternative debt resolution strategies with your bank.

At this point, trying to hide financial problems from the bank is the biggest mistake you can make. It's crucial to be open and frank. They may well be willing to discuss restructuring your loan repayment options if

(Continued on page 4)

Tax Implications (continued)

(Continued from page 3)

they feel they're getting full disclosure. You may even consider relinquishing assets to the bank in payment of a debt. But there are issues to consider here as well. A foreclosure, for instance, is essentially treated like a sale for income tax purposes, something many are not aware of when they believe it has simply accomplished the final settlement of a debt.

For instance, if you own an asset worth $60,000 and your bank agrees to acquire it in payment of an $80,000 debt, your bank may call it even, but the CRA will call it a $20,000 profit and present you with a bill for taxes owing.

When times are tough, it's crucial to consider measures you can take to avoid placing yourself in an unnecessarily vulnerable tax position.

Knowledgeable, innovative, forward-thinking tax advice can help you save as much money as possible in these trying times while also helping you avoid unseen pitfalls and false panaceas. m

Tips To Remember

- Assess the benefits of being a director - the liability issues may not be worth it.
- Be up front with the bank - they'll work with you if you keep them in the loop.
- Be careful with debt resolutions - know the tax implications before settling.
- Get your financial adviser involved early - a good plan is the best solution.

This article is reproduced with the permission of Grant Thornton LLP and was originally published in the Fall 2008 issue of Catalyst, a newsletter for privately held business.

For more info, please contact:
www.GrantThornton.ca
In Kelowna:
Anne Postlewaite, Partner, Tax Services
200-1633 Ellis Street,
Kelowna, BC V1Y 2A8
Phone: (250) 712-6800
Fax: (250) 712-6850
apostlewaite@GrantThornton.ca

When a Small Business Changes Hands (continued)

(Continued from page 1)

determined in several different ways, advises consultant, author and teacher **Laurence Ginsberg.**

1. Adjusted Balance-Sheet or Asset Book Value: The price is equivalent to the present value of a company's tangible and intangible assets (goodwill, for example).

2. Asset Replacement Value: "The value of the assets on a company's books may not reflect the real cost of their replacement," says Ginsberg. "You determine this cost to get a truer picture of the company's worth."

3. Discounted Future Cash Flow: This method is based on the current value of the company's future earnings. You determine the company's value and earnings over the next five to 10 years, then divide that figure by a number that reflects the risk that the business will not meet these expectations.

4. Comparison: Compare the business you want to sell with other businesses in the same industry that have recently been sold. "The drawback with this method," Ginsberg says, "is that you might think you're comparing apples to apples when you're really comparing apples to oranges."

The other business might have 10 employees over the age of 50, for example, or its plant might have sprung a leak in the basement.

Consider an Estate Freeze

If you decide to transfer ownership of the business to your children, you can reduce taxes during your lifetime and at death through the use of an estate freeze.

"An estate freeze allows business owners to crystallize their lifetime $750,000 capital gain exemption, if still available, and pass on the future growth of a business to their children," says **John Natale**, a member of the Tax and Retirement Services Group at Manulife Investments in Waterloo, Ontario.

The parents essentially freeze the value of their shares, Natale says, by exchanging them for preferred shares, with a redemption/retraction value equal to their fair market value and issuing new common shares to their children. "Any additional growth in the value of the business will be reflected in the common shares, which are now held by the children," Natale says.

"In addition to utilizing the $750,000 capital-gain exemption and shifting the future growth in value of the company to your children," Natale continues, "you can now quantify the taxes payable on death and allocate assets or purchase life insurance sufficient to pay the taxes owing." m

NOTE: Life insurance can be used not only to settle the tax liability at death but also to fund a shareholder buy-sell agreement or provide a cash infusion to keep the company viable while the owner's heirs try to sell it. As well, business owners could consider buying certain personal investment products, such as segregated funds and Guaranteed Interest Contracts (GICs), through a life insurance company in order to enjoy potential creditor protection on those investments.

Number of small and medium-size enterprises (SMEs) in Canada as of June 2007: 2.4 million

Maximum number of employees needed, according to Industry Canada, for a goods-producing company to be considered "small": 100
For a service-producing firm: 50

Above that number, a business is considered medium-size when it employs up to this many employees: 500

Percentage of SMEs located in Western Provinces: 36%

Percentage of SMEs located in Ontario & Quebec: 58%

Percentage of SMEs located in Atlantic Provinces: 6%

Percentage of SMEs that are goods-producing: 25%
Percentage that are service-producing: 75%

Of the little more than one million businesses that employ one or more people:
that have fewer than five employees: 58%
Five to 49: 36%
50 to 99: 3%
100 to 500: 2%

Percentage of all Canadian businesses that are family-run: 80-90%
Percentage of those that survive for the second generation: 30%
Percentage of those that survive for the third generation: 10%

Percentage of businesses with fewer than five employees that survive one year of business: 75%

Of businesses with five to 99 employees: 69%

Percentage of businesses with fewer than five employees that survive five years of business: 40%

Of businesses with five to 99 employees: 39%

Percentage of businesses with fewer than five employees that survive 10 years of business: 28%

Of businesses with five to 99 employees: 29%

Percentage of SME owners who say they never work fewer than 50 hours a week: 66%

Sources: Industry Canada, Statistics Canada and the Canadian Federation of Independent Business (CFIB) Jan 2008.

Housing Starts Move Up in March

OTTAWA, April 8, 2009 —

The seasonally adjusted annual rate[1] of housing starts increased to 154,700 units in March from 136,100 units in February, according to **Canada Mortgage and Housing Corporation (CMHC)**.

"Higher multiple starts in Ontario and Quebec were the main contributors to the rise in new construction activity in March," said **Bob Dugan**, Chief Economist at CMHC's Market Analysis Centre. "While the multiples segment experienced the largest increase, the overall boost in starts was broad based, encompassing the singles segment as well."

The seasonally adjusted annual rate of urban starts increased 17% to 127,900 units in March. Urban multiple starts increased 28.3% to 81,500 units, while urban single starts moved up by 1.3% to 46,400 units in March.

March's seasonally adjusted annual rate of urban starts increased by 35% in Ontario and by 23.3% in Quebec. **Urban starts declined by 17.3% in British Columbia**, by 7.9% in Atlantic Canada, and by 7.5% in the Prairies.

New home construction is now at a more sustainable level after having been exceptionally strong over the past 7 years, exceeding 200,000 units per year.

As Canada's national housing agency, CMHC draws on more than 60 years of experience to help Canadians access a variety of quality, environmentally sustainable, and affordable homes — homes that will continue to create vibrant communities.

CEO Liddy Explains Bonuses to AIG Employees

Given the outrage over bonuses awarded AIG employees, it seemed timely to present Chairman Edward Liddy's comments to the House of Representatives Financial Services Committee. Liddy can hardly be blamed for the problems facing AIG. Prior to signing on as CEO at AIG last fall, he had had an unblemished 37 year career at State Farm ("the good hands people") where he eventually served as President and CEO. His retirement was put on hold when he was requisitioned by Congress to help resuscitate fledgling AIG. For the Record, his salary is $1 per year. That's not much of a reward and he's not "doing this for the money." We can only hope his dedication and service ethic is contagious amongst his peers. These were his comments on March 18, 2009.

"THANK YOU **Chairman Kanjorski**, **Ranking Member Garrett**, Members of the Subcommittee. I appreciate the opportunity to appear before you, as the representatives of our largest shareholder – the American people.

"My name is **Edward Liddy**. Six months ago, I came out of retirement to help my country. At the government's request, I have had the duty and extraordinary challenge of serving as Chairman and Chief Executive Officer of American International Group – AIG. I speak to you today on behalf of 116,000 AIG employees around the world who are united around one simple belief: when you owe someone money, you pay that money back.

"I'm sure we all share that belief. I believe that you and I also share a common agenda today – to clean up the mess at AIG, and in the process help get the American economy moving again.

"Let me speak directly to the situation at AIG that has sparked the nation's outrage over the past several days.

"No one knows better than I that AIG has been the recipient of generous amounts of government aid. We are acutely aware not only that we must be good stewards of the public funds we have received, but that the patience of America's taxpayers is wearing thin.

"Where that patience is especially thin is on the question of compensation. I am personally mindful both of the environment in which we are operating and the President's call for a more restrained compensation system.

"At the same time, we are essentially operating AIG on behalf of the American taxpayer so that we can maximize the amount we pay back to the government. We weigh every decision with one priority in mind: will this action help our ability to pay monies back to the government or hurt it?

"Mistakes were made at AIG on a scale few could have ever imagined possible. The most critical of those was the creation of a credit default swap portfolio, which eventually became subject to massive collateral calls that created a liquidity crisis for AIG."

"Although we have wound down more than $1 trillion in the portfolio of AIG Financial Products – the unit that is at the root of our financial problems – that portfolio remains very large – $1.6 trillion – and it continues to contain substantial risk. **The financial downside for taxpayers is potentially very large and very real, and that's why we're winding this business down.**

"To prevent undue risk exposure in the meantime, AIG has made a set of retention payments to employees based upon a compensation system that prior management put in place. Payments were made to employees in the Financial Products unit that caused many of AIG's problems. And Americans are asking – why pay these people anything at all?

"Here is why. I am trying to prevent an uncontrolled collapse of that business. This is the only way to improve AIG's ability to pay taxpayers back quickly and completely, and the only way to avoid a systemic shock to the economy that U.S. Government help was meant to prevent.

"Make no mistake, had I been CEO at the time I would never have approved the retention contracts that were put in place over a year ago. It was distasteful to have to make these payments. **But we concluded that the risks to the company, and therefore the financial system and the economy, were unacceptably high**.

"That said, we have heard the American people loudly and clearly these past few days. The payment of large bonuses to people in the very unit that caused so much of AIG's financial trouble does not sit well with the American taxpayer, and for very good reason.

(Continued on page 7)

(Continued from page 6)

"Accordingly, today I have asked the employees of AIG Financial Products to step up and do the right thing. Specifically, I have asked those who received retention payments of $100,000 or more to return at least half of those payments.

"Some have already stepped forward and offered to give up 100 percent of their payments.

"The action we are taking today is the result of discussions with numerous parties, including **Attorney General Cuomo of New York**. We will work to ensure the highest level of employee participation in this effort in the days ahead. And we will keep the Congress and the American people informed of our progress.

"Obviously, we are meeting today at a high point of public anger. I share that anger. As a businessman of some 37 years, I have seen the good side of capitalism. Over the last few months, in reviewing how AIG had been run in prior years, I have also seen evidence of its bad side.

"Mistakes were made at AIG on a scale few could have ever imagined possible. The most critical of those was the creation of a credit default swap portfolio, which eventually became subject to massive collateral calls that created a liquidity crisis for AIG.

"I agreed to take the reins at AIG last September, after the company had turned to the U.S. Government for financial support. On behalf of my colleagues, I want to thank the Federal Reserve and the U.S. Treasury for making the extraordinarily tough call to provide that support. It has meant that together we have been able to preserve jobs and businesses, and protect policyholders who rely on the promise of insurance to secure their well-being.

"We are moving urgently on a business plan designed to maximize the value of our core businesses, so that in turn we can maximize the amount that we repay to American taxpayers. We at AIG want to believe that we are all in this together. I have led AIG for six months now. And I want to assure you that the people at AIG today are working as hard as we can to solve this problem for the benefit of America's taxpayer.

"And I want to assure you that the people at AIG today are working as hard as we can to solve this problem for the benefit of America's taxpayer."

"And we need your help. We need the support of the congress to do this. And if we do this together, I am confident we can achieve two hugely important things:

- Repayment of AIG's debt to the government to the maximum extent possible;
- And a solution to AIG's condition that is a giant stepping stone to the economic recovery we all desire.

"With that, Mr. Chairman, I would request that my remarks and several additional documents be included in the hearing record, and I am happy to respond to your questions.

Thank you."

Source: American International Group, Inc.

www.aig.com

The RULE of LAW by Stanley Rule

Transfers Between Spouses to Avoid Debt

What can happen when an entrepreneur attempts to insulate family assets from the business risks

STANLEY T. RULE
is a lawyer with the Kelowna firm
TINKER CHURCHILL RULE.
His areas of practice include:
Dispute Resolution, Estate Planning,
Probate & Estate Administration.
He encourages discussion about
the law and reform on his blog at:
www.rulelaw.blogspot.com

S**OMETIMES A BUSINESS** person will attempt to insulate the main family assets from business risks.

For example, the family home might be held in only the business owner's spouse's name. The theory is that if the business goes under, the creditors will not be able to have the home sold to pay the business debts.

In British Columbia, there are legitimate ways of protecting your assets and ways that are not. The line between what you can legally do and what you cannot is not always clear.

In ***Royal Bank of Canada versus Clarke***, a married couple, **Mr.** and **Mrs. Clarke** owned a house together.

In 2003, when they bought the land on which they built their house, they discussed buying the land in Mrs. Clarke's name only to insulate it from Mr. Clarke's business. But, they decided to register the land in both names.

In 2004, Mr. Clarke's business borrowed funds from the Royal Bank and he personally guaranteed the loan.

In 2008, Mr. Clarke transferred his interest in the family home to Mrs. Clarke gratuitously. At the time the business debt was over $146,000, but was in good standing.

After the transfer, no further payments were made on the business loan, which went into default.

Royal Bank Seeks Remedy

The Royal Bank sued the Clarkes seeking to set aside the transfer of Mr. Clarke's interest in the house to Mrs. Clarke. If the Bank was successful, it could then register any judgment against Mr. Clarke pursuant to his guarantee against the house. The bank could then apply to sell the house and then apply Mr. Clarke's share of the sale proceeds to the debt.

The Royal Bank relied on section 1, of the ***Fraudulent Conveyance Act***, R.S.B.C. 1996, c. 163, which says (in not-so-plain language):

1 If made to delay, hinder or defraud creditors and others of their just and lawful remedies:
(a) a disposition of property, by writing or otherwise,
(b) a bond,
(c) a proceeding, or
(d) an order
is void and of no effect against a person or the person's assignee or personal representative whose rights and obligations by collusion, guile, malice or fraud are or might be disturbed, hindered, delayed or defrauded, despite a pretence or other matter to the contrary.

Mr. & Mrs. Clarke acknowledged that Mr. Clarke transferred the property to insulate the house from his business. But he acted honestly, and was not acting "by collusion, guile, malice or fraud." He had never identified the family house as a source of security for the loan.

Madam Justice Griffin held that it was not necessary for the Royal Bank to show that Mr. Clarke had acted dishonestly. Fraud, as that term is used in the *Fraudulent Conveyance Act*, does not require criminal fraud. It is sufficient if the transfer was done for the purpose of hindering a creditor.

The Court ordered that the transfer of Mr. Clarke's interest to Mrs. Clarke be set aside. Mr. Clarke's interest in the house would be available to satisfy his guarantee to the Royal Bank.

What Clarkes Could Have Done

What if Mr. and Mrs. Clarke had purchased the land in Mrs. Clarke's name alone, before Mr. Clarke's business incurred the debt?

According to Madam Justice Griffin at paragraph 13,

Couples commonly arrange their affairs so that family assets are not at risk of business creditors. As fairly conceded by counsel for RBC, there would have been no problem for the Clarkes had they purchased the property in Mrs. Clarke's name alone for the reason of trying to keep their residence out of reach of Mr. Clarke's creditors. The problem is, having purchased the property in their names jointly, the subsequent transfer of Mr. Clarke's interest was a "disposition", thereby engaging the Fraudulent Conveyance Act.

Boomer Business Owners Likely to Delay Retirement According to RBC Poll

TORONTO, February 18, 2009.

THIRTY-SEVEN PERCENT OF Canadian boomers who plan on retiring in the next five years and who own their own business plan on delaying their retirement due to current economic conditions, according to the 19th Annual RBC RRSP Poll.

"Knowing when to leave the workforce is a tough decision," said **Lee Anne Davies**, head, Advanced Retirement Strategies, RBC.

"The best way to decide when to retire is to think about the lifestyle you want to lead in retirement and create a plan to help ensure financial stability and built-in flexibility to adjust to changing life and economic conditions."

The survey also found that more than a quarter (28 per cent) of Canadian boomers plan on delaying their retirement due to current economic conditions.

Forty-three per cent of boomers say their retirement has been delayed between one and two years, 37 per cent say three-to-five years and nine per cent say they don't know.

"Even for Canadian entrepreneurs who never intend to fully retire from their business, it's important to regularly fine-tune their long-term plan," said Davies.

"Whether you foresee gradually stepping away from your business, working part-time or full time, having a plan that clearly outlines your lifestyle goals and sources of income will help business owners prepare for their golden years."

According to the survey, one-third (32 per cent) of retiring boomer business owners, say they will never fully retire, 19 percentage points above the Canadian boomer average.

When asked where they expect to be at 65, half (50 per cent) of retiring boomer entrepreneurs say they will be semi-retired or working part-time, compared to 40 per cent of the general boomer population.

In addition, only 37 per cent of retiring boomers who own their own business expect to be fully retired at the age of 65, 10 per cent less than the Canadian boomer average (47 per cent).

One-in-four boomers would retire immediately if they had enough money compared to only 18 per cent of retiring boomers who own their own business. Half (50 per cent) of boomers say they would continue to work part-time or occasionally, compared to 54 per cent of retiring boomer business owners. In addition, one-in-four boomers say they would continue to work even if they had enough money to retire. Similarly, 28 per cent of retiring boomers who own their own business would also continue to work.

Fast Facts:

- Two-in-five (42 per cent) boomers started saving for retirement between the ages of 35 and 54. This is slightly higher for retiring boomers who own their own business with 43 per cent starting to save for retirement between these ages.
- Most boomers are doing some retirement planning (77 per cent).
- Almost all boomers have an RRSP (95 per cent). Ninety-eight per cent of retiring boomer business owners have an RRSP.
- The majority (64 per cent) of boomers who have an RRSP have already contributed to or plan to contribute to an RRSP for the 2008 tax year.

Overall, more than two-in-five boomers with an RRSP plan to contribute the maximum allowable amount to their RRSPs. m

About the 19th Annual RBC RRSP Poll
The 19th Annual RBC RRSP Poll was conducted by **Ipsos Reid** from October 16 to 23, 2008. This online survey of 3,113 Canadian boomers (ages 50 to 69 with assets of at least $100,000) was conducted via the Ipsos I-Say Online Panel, Ipsos Reid's national online panel. The sample includes 934 boomers who say they plan to retire in the next 5 years and 139 who plan to retire within 5 years and who are also business owners. Statistical margins of error are not applicable to online polls, however, an unweighted probability sample of 3,113, with a 100 per cent response rate, would have an estimated margin of error of ± 1.8 percentage points, 19 times out of 20, had the entire adult population of Canada been polled. A sample of 934 would have an estimated margin of error of 3.2 percentage points and a sample of 139 would have a margin of error of 8.3 percentage points, 19 times out of 20.

U.S Treasury Secretary Tim Geithner Addresses the Council on Foreign Relations

On March 25th, the Secretary of the U.S. Treasury, **Tim Geithner** spoke to the Council on Foreign Relations. His comments are printed here because they demonstrate how the new U.S. administration is dealing with the current economic crisis and their intent to overhaul the current regulatory system. The following day, he revealed further details about the new regulatory regime. It will include much needed reforms such as: 1) a single independent regulator ; 2) higher standards on capital and risk management ; 3) the registration of hedge fund firms and advisors; 4) a comprehensive oversight framework for the (OTC) Derivatives Market,; 5) greater attention to Consumer & Investor Protection; 6) a coordinated international regulatory effort (see "*Treasury Outlines New Regulatory Reform*," at: www.ustreas.gov/press/releases/tg72.htm). Changes to Canada Regulations can't be far behind.

THE AMERICAN ECONOMY and much of the world now face extraordinary challenges, and confronting these challenges will continue to require extraordinary actions.

No crisis like this has a simple or single cause, but as a nation we borrowed too much and let our financial system take on irresponsible levels of risk. Those decisions have caused enormous suffering, and much of the damage has fallen on ordinary

Americans and small business owners who were careful and responsible. This is fundamentally unfair, and Americans are justifiably angry and frustrated.

What Led to the Current Crisis

I want to describe the actions that this Administration is taking to bring the crisis to an end and to help ensure that nothing of this magnitude can happen again.

The imbalances that caused the crisis built up over time. The absence of a serious recession over more than two decades bred complacency.

Relatively accommodative monetary policy and high foreign demand for U.S financial assets pushed down rates and encouraged borrowing. Financial innovation produced products whose complexity escaped the understanding of both our regulators and our most sophisticated institutions. Finally, incentives implicit in financial industry compensation encouraged inordinate risk-taking and short-time horizons.

The result was a financial system that was fragile and unstable. Once trouble emerged in the subprime mortgage market, the results cascaded across the entire system. Overall house prices fell. Critical funding markets for households, banks and businesses froze. Major banks and other financial institutions turned defensive. The financial system became burdened by a backlog of mortgage and mortgage-backed securities that they could not price, much less sell.

All of these problems spilled over into the real economy, here and around the world.

Working closely with the Congress, President Obama has moved quickly and with forceful action to help get people back to work and the economy growing again. And we are moving to repair the financial system so that it works for, rather than against, recovery.

Initiatives & Framework

Last month, I unveiled a framework of initiatives to work alongside our economic recovery plan and address the four problems at the heart of the financial crisis-falling home prices, frozen credit markets, weakened bank capital positions and bank balance sheets weighed down by mortgage-related assets.

We have made substantial progress. We have launched a home affordability program to stabilize the housing market by keeping mortgage rates low and ensuring that as many as 9 million responsible homeowners can refinance into affordable mortgages or modify at-risk loans.

As a result of these actions and those by the Fed, 15- and 30-year mortgage rates have fallen to near record lows.

We have helped jumpstart critical markets for securitizations that are providing new credit for households and businesses and have unveiled a new small business lending program.

And we have put in place a new capital program, as a form of insurance against deeper recession, to make sure banks are able to provide the credit necessary for recovery.

On Monday, we added to our arsenal of tools by announcing a Public-Private Investment Program to buy some of the mortgage-related assets that are clogging the financial system and thereby re-start the private market for these assets. Under the investment program, the government will provide financing to investors on a competitive basis for them to purchase assets. The purchases will be structured so that investors share the risk of loss while taxpayers share the eventual profits.

(Continued on page 11)

(Continued from page 10)

We will make sure that private investors, rather than the government, determine the prices to be paid for the assets. Since these investors will have an incentive to bargain hard to assure their investments are profitable, the taxpayer will be protected from overpaying.

We believe that the combination public and private funds will be enough to generate an immediate $500 billion in purchasing power, and, over time, up to $1 trillion.

The combination of our capital assistance and the asset purchase program will help banks clean up their balance sheets so that they can go back to doing what they must do in order to sustain recovery--and that is, lend.

However, many Americans are understandably skeptical about the need to provide this help because they view many of the financial institutions that will receive the assistance as causes of – not partners in – solving our current troubles.

So we must accompany our investment program with steps to help ensure that this country is never again confronted with the untenable choice between meltdown and massive taxpayer bailouts.

Limits of Current Regulation

We came into the current crisis without the authority and tools we needed to contain the damage to the economy from the financial crisis. We are moving to ensure that we are equipped with both in the future, and in the process, that we modernize our 20th century regulatory system meet 21st century financial challenges.

One of the key lessons of the current crisis is that destabilizing dangers can come from financial institutions besides banks, but our current regulatory system provides few ways to deal with these risks.

Yesterday, I testified before Congress about the need for legislation that

(Continued on page 12)

GIC Rate Comparison—April 13, 2009.

	1 yr	2 yr	3 yr	4 yr	5 yr	10yr
Manulife Investments	2.00%	2.75%	3.25%	3.40%	3.50%	4.25%
Empire Life	2.00%	2.75%	3.25%	3.50%	3.50%	4.25%
Standard Life	1.55%	1.95%	2.35%	2.575%	2.875%	4.00%
Manulife Bank	1.65%	2.20%	2.50%	2.75%	3.00%	n/a
Sun Life	1.75%	2.25%	2.50%	2.75%	3.50%	n/a
Royal Bank	0.50%	1.50%	1.60%	1.70%	1.90%	2.30%
Bank of Montreal	0.50%	1.40%	1.60%	1.70%	1.90%	2.30%
TD Bank	0.50%	1.40%	1.60%	1.70%	1.90%	n/a
Scotiabank	0.50%	1.60%	1.90%	2.00%	2.20%	2.60%

Source: Cannex Annual effective rates for contracts $25, 000. Subject to change. E & E.O.

(Continued from page 11)

would give the government the authority to help a non-bank firm whose troubles could pose such a threat, but also the authority to become its conservator or receiver with the power to protect the financial system against instability.

I discussed with Congress the classic case of such a firm, AIG. AIG insures companies that employ one in every three Americans. But atop its insurance companies is an almost entirely unregulated business unit that took extraordinary risks to generate extraordinary profits. And when this unit's derivative contract losses pushed AIG to the brink of failure last fall, the entire financial system was endangered.

That is why, with extreme reluctance, Treasury, the Federal Reserve Board and the Federal Reserve Bank of New York authorized an $85 billion revolving credit facility for the company in September and has since committed additional support to prevent the collapse of the company. The legislation that I believe we need would help us deal with a similar case in the future.

Tomorrow, I will lay out the Administration's broad framework for dealing with the kind of systemic risk that AIG posed. Because we have learned from the current crisis that destabilizing dangers can come from financial institutions besides banks, our plan will give the government the tools to limit the risk-taking at firms that could set off cascading damage.

The framework will significantly raise the prudential requirements, once we get through the crisis, that our largest and most interconnected financial firms must meet in order to ensure they do not pose risks to the system.

In the coming weeks, we will take additional steps, among them, proposing new and stronger rules to protect American consumers and investors against financial fraud and abuse. These will help us deal in the future with threats like the practices in subprime lending that kicked off the current crisis. And because we have learned that risk respects no borders, our plan will not focus solely on financial regulations in the United States, but--with the help of other interested nations and strengthened international bodies--on stronger standards globally, as well.

One week from today, I will join President Obama in London for the G20 leaders meeting to build support for a global system to ensure recovery and make financial reforms.

We will do what is necessary to stabilize the financial system, and with the help of Congress, develop the tools that we need to make our economy more resilient and our system more just.

The world needs to see America come together with a commitment that is commensurate with the deep gravity of the problem. The American people need confidence that the resources they are providing will be used wisely and in ways that will benefit them.

To get through this, we need the private sector to take risk. In order to do so, they need confidence about the rules of the game.

But the financial and business community also needs to recognize and demonstrate that they need to make changes and sacrifices alongside those the American people are making.

We are a strong and resilient country. This is about will not ability. m

SAMPLE ANNUITY RATES

As of **April 13, 2009.** Based on a $100,000 premium deposit. Payments are **Guaranteed for LIFE** and include a 10 year guarantee payment stream (i.e. balance paid to beneficiaries). Rates change daily. Please request a custom quote. Source. Empire Life - April 13, 2009. E & O.E.

Age & Sex	Standard Life	Effective Annual Payment	Empire Life	Effective Annual Payment	Manulife Financial	Effective Annual Payment
60 Yr Male	$ 555.99	6.671 %	$ 592.39	7.108 %	**$ 617.63**	**7.411 %**
60 Yr Female	$ 521.24	6.255 %	$ 550.03	6.600 %	**$ 565.34**	**6.784 %**
60 Yr Joint	$ 483.05	5.796 %	$ 504.23	6.050 %	**$ 524.70**	**6.296 %**
65 Yr Male	$ 615.24	7.382 %	$ 659.89	7.918 %	**$ 675.50**	**8.106 %**
65 Yr Female	$ 573.32	6.879 %	$ 606.30	7.275 %	**$ 624.28**	**7.491 %**
65 Yr Joint	$ 526.25	6.315 %	$ 549.81	6.597 %	**$ 570.10**	**6.841 %**
69 Year Male	$ 672.32	8.067 %	**$ 716.39**	**8.596 %**	$ 712.56	8.550 %
69 Yr Female	$ 626.58	7.518 %	$ 657.92	7.895 %	**$ 672.96**	**8.075 %**
69 Year Joint	$ 571.71	6.860 %	$ 594.29	7.131 %	**$ 593.97**	**7.127 %**
75 Yr Male	$ 773.06	9.276 %	**$ 799.39**	**9.592 %**	$ 796.42	9.557 %
75 Yr Female	$ 729.75	8.757 %	$ 746.83	8.961 %	**$ 752.68**	**9.032 %**
75 Yr Joint	**$ 664.64**	**7.975 %**	$ 678.02	8.136 %	$ 672.28	8.067 %