ASK MONEYSENSE

RRSPs **My wife and I would like to use the $80,000 we hold in RRSPs to purchase a cottage. Can we hold the cottage inside an RRSP and treat it like an investment?**

—Rob Holden, Burlington, Ont.

No, you can't hold property inside an RRSP—but you can hold what's called a self-directed mortgage. "This allows you to use RRSP money without incurring tax on the withdrawal," explains Marc Lamontagne, partner at Ryan Lamontagne, a financial planning firm. You'll need to find a lender willing to set up and administer the mortgage (there are annual fees). Then you'll replace your current RRSP holdings with the self-directed mortgage, which must use the current posted interest rate. The lender will use the cottage as collateral: if you default, the lender will repossess it to cover the outstanding debt. "Holding mortgages in an RRSP doesn't work for every investor, because current interest rates are so low and most of us want to maximize our retirement fund's return," says Lamontagne. But if you aren't relying solely on your RRSP for retirement savings, or if you're a conservative investor, this could be an ideal way to use RRSP money to buy and hold real property without taking a tax hit.

TAXES

I'm interested in a charity tax strategy where I purchase AIDS medicine for Africa. For every $1 I spend, I'll get a $3 tax receipt. A friend has successfully used this strategy, but my accountant is very skeptical and has advised against it. What should I do?

—Chad Gurski, Duncan, B.C.

Listen to your accountant. While more than $5.75 billion in receipts have been issued by groups offering similar programs, the Canada Revenue Agency has unequivocally ruled that these are "abusive charity gifting tax schemes," says Mark Blumberg, a lawyer with Blumberg Segal LLP who specializes in charity law. A recent federal court ruling agreed with the CRA's decision and called these donation strategies "investment schemes."

The reason is simple, says Blumberg: less than 1% of the receipted amount is actually used for charitable purposes, so the CRA does not consider this a legitimate charitable donation. That means any funds you donate will be lost. The tax deduction will be denied and you'll be subject to interest and fines, says Blumberg.

It gets worse: even if the CRA doesn't catch on in the current tax year, they have up to three years to flag the donation. Blumberg notes one case where someone donated $30,000 to one of these schemes in 2001 and received a $100,000 tax receipt. The ruling was only just finalized this year, says Blumberg, and now the donor has to repay the refunded amount to CRA along with 10 years' worth of interest.

Blumberg suggests that anyone interested in donating to charity should find a legitimate way. If you choose to take a chance on these tax-shelter programs then, "you're buying someone else's cottage in Muskoka," says Blumberg. "And you'll be on the CRA's sucker list, so everything else you do will be closely monitored."

EDUCATION

Where can I learn more about stocks, bonds and trading? Are there courses or seminars that are open to the pubic?

—Jannet Hudson, Toronto

Most colleges and school boards offer courses on the basics of stock trading and investing. In Toronto, George Brown College offers a course on investing, while Centennial College offers one on personal finance.

But perhaps the most comprehensive introduction to stocks, bonds, trading and portfolio management is the Canadian Securities Course, offered by CSI Global Education (www.csi.ca). This course is the starting point for people who are training to be advisers, but it is also open to anyone interested in developing a better understanding of financial markets, basic economics and how to plan and implement their own investment strategy. All of the editors at *MoneySense* have taken the course. But be prepared: the cost is just over $1,000 and the course requires at least 100 hours of study if you plan to write and pass the two exams.

OPERATIONAL RISK

Our family follows the Couch Potato strategy. While we're happy with our returns, we are concerned that we're only invested in iShares ETFs. What happens if this company goes bust? Should we diversify to minimize risks?

—Penny Becklumb, Ottawa

You don't need to be concerned, says Dan Bortolotti, senior editor at *MoneySense*. Canadian mutual funds (including ETFs) are strictly regulated to protect investors. There are legal structures in place to separate the assets of the investment firm—in this case, BlackRock, which owns iShares—from the assets of the funds themselves. A third party called a custodian is charged with the safekeeping of your money. "If the fund provider were to go bankrupt tomorrow," Bortolotti explains, "its creditors would have no claim on the ETF's assets." M

Got a question about your finances? Email us at ask@moneysense.ca

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