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Canada's Expat Quarterly

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BARBADOS BOUND

THE THORNY QUESTION OF RESIDENCE

TWO RECENT EXAMPLES

BENEFICIARIES STILL IN CANADA?

HOW TO PLAN YOUR ESTATE

HEALING ON THE "NATURE ISLAND"

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Barbados Bound

Barbados is a haven for relaxation, and a mecca for active lifestyles and cultural pursuits. It is also one of the leading centres in the Caribbean for near shore information services and has become the domicile of several subsidiaries of Canadian and American IT firms. Rob McChlery and Kenneth Campbell describe working and playing in the “Jewel of the Eastern Caribbean.”

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Two Recent Examples The courts have established certain criteria to determine whether an individual is “ordinarily resident in Canada.” The Canada Customs & Revenue Agency also has its interpretations in this area, views not always necessarily supported by the law. Bilateral Income Tax Treaties should be carefully considered as well. It’s not easy to reconcile the application of all of the above to factual situations, as Tony Schweitzer shows.

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How to Plan Your Estate You have retired to a warmer climate with a friendlier tax environment. But just when you think there is little left to worry about, a nagging voice in the back of your mind reminds you to look into what happens to your assets after your demise. John Maclachlan eases some of your fears and points you towards peace of mind.

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Expat Profile Gwenith Whitford had been ill for a long time. Heavy metal poisoning, severe multiple chemical sensitivities and persistent allergies had taken their toll on her productivity and personal life. Unpolluted indoor and outdoor environments were critical for her improved well-being. Sick and tired of being sick and tired, Gwenith found Dominica.



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FROM THE

Editor



Who doesn't dream of the Caribbean in the midst of a Canadian winter? In this issue, we feature Barbados. British in heritage and modern in outlook, this "jewel of the eastern Caribbean" is both a spectacular tourist destination and growing business centre. We also introduce a new series of Expat Profiles – Canadians living overseas who tell us their stories. If you would like to share your experiences as an expat Canadian, we'd love to hear from you.

Making an overseas move often means leaving beneficiaries behind in Canada. John Maclachlan looks at offshore trusts as an estate planning tool for long-term non-resident Canadians. Mark Wise highlights the special concerns of women travellers, while Gordon Laight chronicles the development of the "Slow Movement," a cultural shift which may be just right for the times. Lawyer Tony Schweitzer tells the cautionary tale of two Tax Court decisions involving determination of residency for tax purposes – we suspect you'll find the outcomes surprising. Finally, I'm sure that Leslie Mezei's reflections on being Canadian in the wake of September 11 will strike a chord with many of you, as they did with me.

Some news to be aware of from the tax folks: the Canada Customs and Revenue Agency recently issued a draft revision of its Interpretation Bulletin on determining an individual's residency – the first since 1983. We'll take a detailed look at this in our next issue, but, in the meantime, the document can be accessed on the CCRA Web site at www.cra-adrc.gc.ca (look under Forms and Publications - Technical Information - IT-221R3). In addition, legislative changes mentioned in the article "Myths and Realities of Offshore Trusts" (CRA Magazine, Fall 2001) have been postponed for one year to January 1, 2003.

Thank you to all the readers who confirmed their mailing address for our circulation audit. For those of you who have not yet had a chance to reply, please take a moment to complete and return the information at the bottom of this page or, easiest of all, use the subscription form on our Web site at www.canadiansresidentabroad.com.

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ELIZABETH J. PECK

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Barbados bound

Ready to Play

The Caribbean's Easternmost Jewel

BY ROB MCCHLERY

Barbados offers as many different holiday experiences as there are visitors. Explore a cave or a coastline you'll call your own. Tour plantation homes where settlers shaped our fields into verdant pastures of sugar cane. Or see a site where distilled spirits come into being. Try your hand at waterskiing or parasailing. Collect fine crafts at a roadside chattel house, or shop in world-class boutiques.

Barbados is both a haven for relaxation, and a mecca for active lifestyles and cultural pursuits. While sun-worship remains seductive amidst endless beaches and a delightful year-round climate, our splendid cultural events, sporting activities and historic attractions make Barbados a treasure to behold and enjoy. Whether you're planning a family holiday or sportsman's escape, a romantic getaway or a convention, a meeting or incentive travel group, Barbados appeals to a diverse cross-section of travellers.

An exotic world awaits you. Our calming Caribbean West Coast is home to celebrated beach resorts and secluded coves, lush rolling gardens, a colourful harbour and a state-of-the-art cruise

ship visitors terminal. The sophisticated West Coast also offers a selection of luxury hotels and villas amidst the calm waters of the Caribbean Sea. Our Atlantic East Coast is a wind-swept wonder, sporting rugged formations, casual beach houses and few hotels, while our South Coast offers a vibrant centre for dining and entertainment, along with a broad selection of inns and hotels.

A Distinct History

While the island has long been viewed as the Caribbean's last remaining bastion of British refinement, today's generation enjoys a renewed sense of adventure and excitement, along with a special flair for distinguished hospitality. You'll find a British flavour in our customary offerings, with Afternoon Tea served daily at select hotels, an ardent passion for cricket and polo, and even an aptly-named Scotland District on the rolling hills of our interior.

Known as Little England, Barbados established English as its language, and has since secured stability and harmony among a diverse population of varied races, religions and creeds. Today, more than 100 religious denominations coexist peacefully in an atmosphere of social unity.

Our history can be traced to the island's first inhabitants, tribes of Amerindians known as Arawaks and Caribs. Portuguese sailors stopped here in 1537 en route to Brazil, and chose the name Los Barbados (meaning "the bearded ones") inspired by the island's bearded fig trees whose airborne roots cascade from above. English Captain John Powell arrived in 1625, finding the island uninhabited, and claimed it for King James I of England. In 1627, British settlers arrived at the site of Holetown, St. James, and Barbados flourished under the British as a favourable environment to grow sugar cane, an economic activity that soon brought slaves from Africa.

In the mid-twentieth century Barbados moved towards the formation of an independent society, with the enfranchisement of women in 1944 and universal suffrage in 1951. Barbados gained independence from Britain in 1966 and became a member of the Commonwealth of Nations. Unique among Caribbean islands, Barbados had unbroken British rule from settlement to independence.

Among the most peaceful and civilized societies on earth,



Barbados is today home to a vibrant nation of proud citizens, where both education and cultural harmony are rewarded, and visitors are welcomed with open arms. Barbados enjoys one of the developing world's highest standards of living, with an impressive level of education and literacy, all of which help ensure that island hospitality and services rank among the very finest. In fact, visitors have a tendency to fall in love with Barbados - the Caribbean's most revisited destination.

Serenity or Excitement

Once you've awakened to a Barbados welcome, calmed your senses on our sandy beaches, emerged from our Caribbean waters and warmed up in our sunshine, what next? Brace yourself for thrills of a lifetime, accented with moments of serenity.

Spend a day sailing aboard a pirate ship, or touring our splendid natural wonders from coast to coast. Visit with island artisans, shop at Bridgetown's beguiling boutiques, or just watch yachts ease by while relaxing at beach side or enjoying fresh seafood at our harbour.

Perhaps you're game for an evening of pulsating nightlife, or just want to take in a sunset, as the golden sky turns to dusky darkness.

Whatever your passion, you'll find a bounty of activity, by land and by sea, for hands-on sportsmen and spectators alike. Choose from golf or tennis, horse racing or polo, cricket or squash, scuba or sailing, windsurfing or jet skiing! And our legendary beaches offer diverse coastlines with distinct personalities, some shaded with palms or basking in sunshine, others with rocky formations or peaceful coves.

Beyond our beaches, you'll soon discover a world within. Explore our museums, visitor centres, historic properties and nature reserves. Discover our charming chattel houses – colourful wooden homes that are a movable feature across our landscape.



Visit majestic great houses, once home to sugar barons. And tour hidden caves for a prehistoric view beneath our surface. Each of our island's treasures illustrates where time has taken us.

A wide range of family-friendly activities appeal to adults and children alike. In the mood for nonstop festivity, musical events and island entertainment? Enjoy an exciting year-round selection of festivals and events. Find a dazzling display of island spirit, from calypso and costumed regalia, to specially-commissioned music festivals, with some of today's hottest stars of jazz, opera and musical theatre.

Tours and Tastes

An exceptional range of tours and activities can be customized to accent your island adventure. Day cruises offer seafaring excitement aboard riverboats, yachts or catamarans. You can go beneath the ocean's surface to observe the underwater world aboard a submarine or reef observation craft. Or soar the skies via helicopter and see our sweeping views. The choices are endless, and what's more, they're all yours.

Barbados has earned high ranking among fine dining aficionados, and you'll find an enormous range of regional and international cuisines to delight your palate. Diverse menus span award-winning Caribbean fare and European specialties, plus a remarkable range of seafoods. Abundant catches from surrounding waters include lobster, swordfish, snapper, dorado and, of course, Flying Fish - a Bajan national delicacy served both at gourmet restaurants and your neighbourhood beachside pubs.

An inspired approach to island cuisine is seen at roadside cafés and harbourview restaurants alike, each offering its own take on culinary evolution. New twists on international favourites are found islandwide, as innovative cooking shapes the island's culinary scene. Savour the grilled pine nut-crusted black belly lamb chops, served with a golden apple salsa, or try nouvelle presentations of other signature Bajan dishes.

Other Barbados specialties worth trying are cou-cou, a cornmeal and okra dish; jug-jug, a mixture of Guinea corn and

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green peas; and pepperpot, a spicy stew made with a variety of meats. Fresh fruits and vegetables also delight diners, with local crops ranging from just-picked papaya to coconuts, breadfruit and plantains. Our local agricultural produce is sold at stores, stands and markets islandwide, offering a bite of the real Barbados.

If a spirited escape is what you're after, you have your pick of the many colourful rum shops on the island - some 1,600 in total! As you tour our towns and countryside, sample our variety of rums and enjoy discovering their differences. And be prepared to meet friendly locals and join in the levity. The island's rum producers offer tours highlighting the historic rum-making process, with tempting tastes of our finest treasured spirits.

An Island of Casual Elegance

Travellers may find Barbados a bit more formal than other Caribbean islands, as centuries of British influence helped shape today's tendency toward casual elegance. While formal restaurants suggest finer summer attire and sometimes require jackets for men, such dress codes are rewarded with culinary excellence, world-class service and intoxicating island atmosphere. And more casual and festive settings abound, as you'll find a wealth of dining options at pubs, restaurants, bistros or wine bars, all serving up a healthy portion of entertainment, as jazz, calypso and steel drums add their beats to our island ambiance.

Whatever your holiday dream, Barbados will find a way to make it come true!

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Working For You **The Barbados IT Sector**

BY KENNETH CAMPBELL

Barbados, the most easterly of the Caribbean islands, is 166 square miles and has a population of 267, 900. A former British colony, Barbados became independent in 1966. Over the course of its history, Barbados has been transformed from monoculture dependency on sugar to a more service oriented economy.

Arguably the world's smallest developed economy, Barbados recorded an annual average rate of real economic growth of approximately 3 per cent over the past eight years. Once the numbers are in, it is anticipated that the island's economy will have recorded its ninth consecutive year of growth in 2001 and the rate of growth will fall between 1 and 1.5 per cent. The strength of the Barbados economy results from the strong performance of the major engines of economic growth, which include construction activity, tourism, international business and financial services, manufacturing, agriculture and information services.

Barbados' information services (IT) sector started 33 years ago when a North American company set up a data processing facility to take advantage of the island's low operating cost. There was no significant growth in the sector until 1983 when the establishment of Caribbean Data Services caused employment in the sector to increase from 42 to 311. Since then, the development of the sector has continued, and what started out as mainly a data capture business is becoming a diversified industry, earning approximately \$40 million U.S. per annum in foreign exchange.

Today, Barbados is recognized as one of the leading centres in the Caribbean for near shore information services and has become the domicile of several subsidiaries of Canadian and American IT firms. The activities of these firms include data



processing, desktop publishing, claims adjudication, hardware support, management of financial records and databases, software development and outbound customer responses management services.

The factors which make Barbados an ideal location for near shore information processing facilities, factors which have fuelled the industry's success, include a well-educated, trainable and productive workforce; competitive labour rates; low rates of absenteeism and turnover; modern, reliable telecommunication services; an excellent industrial infrastructure; a business-friendly environment, and an attractive tax and regulatory system.

Also contributing in large measure to development of the sector is the Barbados government's role in spearheading the effort to lure IT companies to its shores. The government is favourably disposed towards foreign investment in the information services sector. Enterprises that qualify as international business companies can take advantage of the generous incentives offered, including a maximum tax rate of 2.5 per cent on net profits, full exemption from import duties on production-related equipment, and full and unrestricted repatriation of capital profits and dividends.

In addition to tax incentives, a supportive and facilitative role is played through its economic development agency, the Barbados Investment & Development Corporation (BIDC). BIDC has special responsibility for promoting and facilitating the establishment and expansion of business enterprises in Barbados, as well as for the export of goods and services from Barbados. BIDC also administers the government's Incentive Program for Industry and provides a variety of free advisory services for companies seeking to establish operations on the island, particularly in the areas of manufacturing, international business, financial services and information technology.

These services include the provision of information on the social, political and economic life of the island, coordination of business itineraries for prospective investors, explanation of incentive legislation, technical assistance for production and managerial improvements, technical advice on factory setup, provision of factory space on a rent or lease/purchase basis, assistance in coordinating joint ventures, liaison between appropriate government departments and private sector agencies, as well as other facilitation services associated with establishing or expanding operations in Barbados.

In analyzing the future prospects for the industry, the challenge for Barbados will be to keep pace with the trends in the industry, particularly the trends in technological advancements, so that the skills of the Barbadian workforce and the quality of the industrial infrastructure will satisfy the demands of the information services sector.

Toward this end, BIDC was in the forefront of efforts to establish an IT School in Barbados. This training facility - the Barbados Technical Training Centre - started its program in May 2001 and provides accelerated hands-on training to IT graduates in the areas of information technology, software development and e-commerce.

In addition, since 1992 BIDC has organized a biennial information services conference (BISC). This conference provides



a forum for executives in the industry to learn about leading edge IT solutions, and it also showcases Barbados as a good location for business, particularly information technology applications.

The government is also playing an active role in ensuring that the future workforce is equipped with the relevant skills. In 1998, the Edutech 2000 plan was unveiled. This program seeks to enlarge computer literacy skills, which is being achieved through the upgrade of schools at both the primary and secondary levels, by retraining teachers, and equipping classrooms and labs with computers and relevant software programs.

In terms of improving the business environment, the government will also be implementing a telecommunications reform policy aimed at introducing competition into the telecommunications sector, as well as enhancing the technological capabilities of our national and international network.

The future of the sector promises to be one of further growth and development within an international environment where new service demands are emerging constantly. These demands could translate into new opportunities for Barbados in the areas of software development, e-commerce, pre-press publishing services, value-added transaction processing and customer response management services.

To discover more about the advantages of Barbados and how Barbados can work for you, please contact one of the BIDC offices or visit our Web site at <www.bidc.com>.

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BY LESLIE MEZEI

Portfolio

ON BEING A CANADIAN AFTER SEPTEMBER 11

*Where were you on September 11?
What were your reactions?*

I was driving north from Toronto and could not believe what I was hearing on the radio. I thought this was hoax, like the 1938 Orson Wells "Martian Invasion" radio broadcast. As its reality began to sink in, the Cuban missile crisis of 40 years ago came to mind, the last time we thought the world as we knew it could come to an end.

The morning of September 11 I was on my way to interview the creator of the multi-faith "Golden Rule Poster" displayed by many schools and accepted by the United Nations. As became clear later, ironically, this attack was perpetrated in the name of Islam, which declares: "Not one of you truly believes until you wish for others what you wish for yourself."

I asked myself, "What can make human beings so desperate and full of hate that they would sacrifice thousands of innocent civilians?" In the aftermath, we have not begun to ask, never mind address, the root causes that led to such horrendous attacks on the innocent civilians in the financial centre of western capitalism and the military centre of the

most powerful country on earth.

We all knew of someone who was lost, especially in the investment business, including 24 Canadians.

Has the world changed?

Everybody is writing that the world was totally changed on September 11. As a survivor of the Second World War and its Holocaust, and as one of those who travels the world to help Canadians resident abroad with their financial strategies, I know that it is not so much that the world became greatly more dangerous overnight, but that we North Americans are no longer isolated from the risks of the rest of the world. These dangers include 38 major conflicts around the world, each of which took

*"North Americans
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the world"*

at least 1,000 lives last year, not to mention the uncounted acts of individual and state terrorism around the globe.

But all the changes are not negative. We also discovered that this is a better world than we thought. After September 11 the outpouring of sympathy and help was overwhelming. A lot of money and blood were collected, and Canada sent rescue workers, crisis trauma teams and coroners to New York City. When U.S. air space completely shut down on September 11, the Maritime provinces received tens

of thousands of American and other passengers, and welcomed them like family. The 10,400 population of Gander, Newfoundland, ended up hosting 53 re-routed planes - 10,500 passengers. Some people were taken up to 75 kilometres away to surrounding communities, and hosted royally for three days. In gratitude, the passengers of one flight originally bound for Atlanta organized a scholarship fund of more than \$40,000 to enable students from the town of Lewisporte, Newfoundland, to go to college.

There were numerous interfaith worship services. The memorial service in Ottawa brought 100,000 people to Parliament Hill. There were many calls from religious leaders and politicians, including the Prime Minister Chrétien, for the religious and ethnic tolerance we value. Canadian Islamic leaders denounced the attacks and were invited by the media and many organizations to explain their faith. Unfortunately, there were also a few indiscriminate racial attacks, including the burning of a Hindu temple in Hamilton.

Will Canada be absorbed by the U.S.?

Canadians are agonizing more than ever over the similarities and differences we have with the Americans, and our dependence on and growing integration with the United States.

One difference is that, in Canada, the debate reaches the major media; there is more tolerance for dissent than in the U.S. at this time. Concerns were raised over "racial profiling" in security checks with the increased powers given to police and security officers.

"Does the anti-terror bill go too far?" one headline asked. Opinion was

split. "No. We need powerful new legal tools to fight the new global terror threat," said MP and law professor Irwin Cotler. "Yes. Bill C-36 undermines the very rights on which our society is based," said civil libertarian Alan Borovoy.

The government's concession to the concerns voiced was a promise to review the whole package three years from now, and a "sunset" expiry of the more stringent measures, such as preventive arrest, in five years.

There were also some dissenting voices against the U.S.-led attack on Afghanistan, advocating some kind of United Nations police operation. (The Norwegian Nobel Committee made its point by awarding the Nobel Peace Prize to the United Nations and its Secretary General, Kofi Annan.) But the majority of questions were about the role of the Canadian military. Until early 2002 we remained at sea, both literally and figuratively. Who would ask us to do what? How prepared are we? Have we underfunded our armed forces? The December 10 budget added \$7.7 billion to security and self-defense in the air, at airports, at the borders, for intelligence and policing. But of this, only \$1.2 billion for the defense department.

In the end, we gave up our innocence, our cherished role as exclusively a peacekeeper. We have some 3,750 troops on 13 multinational peacekeeping missions around the world — 1,600 in Bosnia alone. Instead of joining the British-led international police force in Kabul, we sent 750 ground troops to a combat role in Kandahar, under direct U.S. command for the first time since the Second World War.

Our security may have to depend on a U.S.-led "North American security fence." And there are calls for adopting the U.S. dollar and integrating our economy even more closely with the U.S.

Columnist Richard Gwyn wrote: "And yet and yet and yet. Not a scrap of evidence exists that Canadians

have any wish to cease being Canadians. Polls...measure a strong, prideful Canadianism. Quebecers... haven't felt more Canadian in years."

Gwyn says that Canada is in increasingly better shape. We are near the end of a recession made only temporarily worse by September 11, and our national finances are in pretty good balance. Investment markets rebounded convincingly in the last quarter of 2001. Quebec separatism is in remission and East-West tensions reduced. And we are turning our attention again to repairing one of the world's best health care systems and to improving the condition of our native people.

*"In the end,
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our cherished role
as exclusively a
peacekeeper"*

Canada continues to uphold threatened international agreements like the Kyoto agreement on emission controls, the anti-landmine treaty (which our leadership helped create), the nuclear testing ban, and the long-standing Geneva Convention on the treatment of prisoners of war.

The openness to diverse views is one of the things I most cherish about Canada — and the United States! The U.S. is usually the staunchest defender of individual rights and freedoms, except when it swings into the hysteria of a McCarthyist witch-hunt, or a CNN-fueled war propaganda machine. But they have always swung back, and will do so again this time, I believe.

A Canada booster

The 1998 invitation to the party

celebrating my 50 years in Canada said that only statements boosting Canada could be made on the occasion. I am grateful for our North American standard of living, combined with British moderation and fair play, European social safety net, and increasing Asian spirituality.

We are settling back to our daily lives, having rooted for Wayne Gretzky's Canadian hockey team at the Winter Olympics in Salt Lake City, having celebrated half a century of the great Canadian humour of Wayne and Shuster, while continuing to wonder when the Prime Minister will retire (if ever!), and willing a strong rebound to the economy and the stock markets.

As you can see, I am proud to be a Canadian, and always wear a small Canadian flag on my lapel when I go abroad.

The first Honorary Canadian citizen was Raul Wallenberg, the Swedish diplomat who single-handedly saved thousands of Jews from the Nazis in Budapest, Hungary (I was one of them). The second Honorary Canadian citizen was Nelson Mandela. Under his leadership the South African Truth and Reconciliation Commission was created, a hopeful model of the way towards a peaceful future on our beautiful Earth. Let's hope that Canada still has the will and the international reputation to help bring that about.

These are some of my reflections on where as Canadians we are now. We would love to hear about your experiences and opinions as a Canadian living abroad in these times. Please send your remarks to the attention of Leslie Mezei at <cra@canadiansresidentabroad.com>.

Leslie Mezei, FCIA, CFP, RFP is a Senior Personal Financial Coach with **Canadian Investment Consultants (888) Inc.**, helping Canadians at home and abroad with their overall financial strategies. He may be contacted at: E-mail <mezeis@compuserve.com>.



BY MAURICE FORTIER

Running with the Bulls

UNDERSTANDING RISK

All too often I get inquiries regarding what “rates” we are paying for deposits. After explaining that it depends on the currency/amount/duration, the inquirer usually indicates they will call back.

Inevitably, I will get a call back from someone who says they were just quoted 15 per cent at a bank or financial institution I have never heard of. The only thing this indicates to me is that the person does not understand risk.

With interest rates so low and the recent volatility of the stock market, many people are starting to look in odd places for increased return. However, they do not always understand the tradeoff. In its simplest form, the tradeoff amounts to: Higher Return = Greater Risk. The key in this equation is understanding risk, and where to find it.

Risk is somewhere in every investment. You are providing capital for a purpose and expect to be paid for providing that capital. Your method of payment varies from a fixed rate (bonds) to a variable rate depending on the performance (equities) or some combination thereof. To give you an idea as to how to determine the risk, here are some common and not so common examples.

U.S. Treasury Bills

Your risk is that the U.S. government cannot pay you. As you can imagine the

probability of this occurring right now is pretty low. To reflect this low risk, the corresponding return on T-bills is quite low.

Other money market instruments

Who is the issuer? Who is making the guarantee? Often a guarantee may be issued by a financial institution which is not the issuer, so it is important to know all the details.

Bank deposit

What is the stability of the banking system in the country where the bank

“With interest rates so low and the recent volatility of the stock market, many people are starting to look in odd places for increased return”

resides? What is the bank’s history? What do they do with your money? Do they lend it, or invest it elsewhere?

Equities

If you buy shares in a single company you risk losing it all. Yes, it may seem like a pretty remote chance that a huge company trading on the New York Stock Exchange could become worth-

less, but as recent history has again demonstrated, it can happen (see Enron). A diversified portfolio of stocks mitigates this risk. However, the types of companies you are buying, where they are located, how large they are, and many more factors determine how much risk is present in any given equity portfolio.

Corporate Bonds

One could run into a default situation if the company goes bankrupt. Another risk is if the company loses profitability or shows negative earnings. This could result in their credit rating being downgraded. A bond portfolio can mitigate your risk exposure, as can different maturities.

Government bonds

The same issues apply as with corporate bonds, but you also have to look at some more macroeconomic factors. Currency issues can often raise their ugly head. The risk here is a devaluation of the currency the bond is issued in. This happened in Mexico in 1994, and just recently in Argentina. Default is usually less of an issue with government bonds, but it does happen, as Argentina recently demonstrated.

Sometimes you have to really analyze a situation to understand where the risk resides. This is not necessarily a bad situation. It just entails some diligence on behalf of the investor. For example, one of my favourite investment managers, given the current state of markets,

Running with the Bulls, continued on page 30



BY GORDON LAIGHT

The Laight Edition

SLOW AND STEADY

We seem to be entering a different philosophical plane from that which existed six months ago. Some say it's due to the economics of the times we are in. Some say it's due to the events of this past fall. Some even speculate that this change reflects a demographic shift, at least in the western world, as the values and aspirations of older generations give way to the ever-shifting values of the never-content baby boomer generation. Some say it's due to all of the above.

Speed, efficiency, quantum leaps forward in technology, even the latest equity market buzz seem to be taking a backseat to comfort, quality, conversation and a slower pace. Discussions abound over such mundane subjects as pot roast versus filet mignon, regular unleaded gas versus super unleaded, cash versus credit. I, for one, say "Hooray!"

Family values and quality time are no longer considered hackneyed campaign slogans or tag lines. People truly want more of both. Even before the events of September 11 a major trend was afoot in Western Europe (that cradle of modern thinking and trend-setting) called the "Slow Movement." Paradoxically, this movement is gaining support very quickly.

The emphasis of the Slow Movement is not on the abandonment or discarding of all the technological, business and financial gains made in recent years in favour of becoming

neo-luddites, but rather putting all of the advances and conveniences afforded modern civilization into the context of living day-to-day life, as opposed to "experiencing" things or events. In other words, quality of life versus speed of delivery.

The original impetus behind this idea began two years ago in Italy with the concept of Slow Food, a crusade against the Big Mac culinary culture that is accompanying globalization. This idea has moved beyond its culinary roots as well as the Italian border and grown into the more comprehensive Slow Movement. It is now gaining momentum in Germany, England, France and elsewhere in Western Europe.

The reason this is an intriguing subject to study is that there are similar cultural shifts taking place across the pond as well. I've noticed that my own use of our personal computer is waning. Just a short 18 months ago the latest joke, anecdote or piece of critical information would be instantaneously sent out to all friends and relatives on our e-mail distribution list, and responses from those friends and family would be almost as instantaneous in return. My wife and I now often receive responses after a time lapse measured in days, not minutes or even hours. Similarly, we ourselves are responding to our incoming messages at a much slower rate than in the recent past (in part because we only turn on our computer every couple of days or so).

Friends and associates give similar reports. The consensus is that personal e-mail outside the office is not crucial or critical: personal issues can be addressed by phone or in person. Perhaps showing a trend, my wife

received as a Christmas present this year a correspondence kit, namely, personal stationery ("paper" to you techies) and envelopes, all in an attractive box.

Cell phones are undergoing a similar change in usage and etiquette. It is now viewed as rude to have your cell phone ring in public - not just in restaurants, theatres and other meeting places, but in public, period! I recently had to apologize for making the grievous error of leaving my cell phone on in a clothing store. When it rang, heads turned and the sales person assisting me tut-tutted. I have been shopping at this same store for more than ten years. Ironically, a couple of years ago, if you didn't have a cell phone strapped to your cranium while being fitted for a suit, this same sales person would have tut-tutted for your lack of a cell phone.

I suggest that personal finance and investment is going to be the next area that will come under this same "quality versus speed" shift. What mattered and appeared to be of paramount importance 18 to 24 months ago is now being viewed with disdain. Day trading...gone, wireless...yawn, fibre...passé, PC...diminished, technology...cautious.

What is important to investors today is preservation of capital, conservative optimism, and positive return on investments. The first two points are givens. Preservation of capital and optimism are the hallmarks of all investors. Where individual investors are failing today is in the positive return category. Individual investors who have lost capital and a good deal of optimism over the past painful four quarters are now yield/return hungry - at what would seemingly be any cost.

Point: Interest rates in the United States have been trimmed by the Federal Reserve 11 times in the past 12 months (interest rates go down, stocks go up...the question is, when?). Frustrated investors are making rash investment decisions in their wholesale movement to fixed income investments such as bond funds, REITs, royalty trusts, income trusts and money market funds as they "hunt" for return.

The problem with all of this movement is that we are most likely at the end, or very near the end of the decline in interest rates and the returns being reported by these investments have already happened: you can't buy past performance. The next logical move is from a flattened rate environment to a rising rate environment, if economic activity shows signs of becoming once again "irrationally exuberant." Nobody knows when these events will happen. If any advisor, pundit, columnist or investment personality insists they can tell you exactly where things are going, you should turn and run from that person as fast as you can!

We, as individual investors, have control of only three variables:

- what we buy;
- what we pay;
- our emotions.

Now let me list some of the variables that we have absolutely no control over:

- the direction of interest rates;
- the direction of currencies;
- the direction of markets;
- the direction of political situations;
- the direction of social change.

The most crucial element within our control is our ability to control our emotions. Yet the variables that are beyond our control are some of our greatest emotional triggers: they confront us every day. The daily directions of rates, currencies, markets, political and social changes are reported to us through the media minute-by-minute. They push us and pull us in a multitude of directions. How many people look at their investment portfolios daily (and do so in highly emotional states)? While our brains, intellect and experiences tell us to be conservative investors with a long-term outlook to our futures, our emotions turn us into short-term speculators with a penchant for irrational decision-making. Our futures and the future of our heirs depend on the former state of mind, not the latter.

So this begs the question: How do I separate my emotions from my financial future?

By adopting some of the principles of the Slow Movement; by emphasizing quality and pace over speed and market-buzz. The Internet is the best source of information available to us and the best and brightest minds

in the investment world have made their information available there. Merrill Lynch, Julius Baer, Northern Trust, Valueline are excellent sources of information.

Take the time to research businesses and potential investments, but research them based on their quality, not on their "story" or "buzz." And if they are quality businesses or investments, how long have they been so, and what is the likelihood of that quality being sustained into the future?

Are the businesses or investments you are considering inevitable?; by which I mean: is the business concerned necessary? Do they have a demonstrated track record of consistent earnings or returns? Are they leaders in their given industry? Are they capable of allocating capital in an effective and profitable manner? Will they continue to grow?

Only after you have scrutinized an investment in this manner, and it has met these criteria, should it be considered. This sounds tedious, onerous, involved and, yes, slow. But I've said before in this column, and I'll say it again: I'd rather get rich slowly than poor quickly.

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"Why would you want to stay anywhere else?"



BY TONY SCHWEITZER

THE THORNY QUESTION OF RESIDENCE

TWO RECENT EXAMPLES

The general basis of taxation under the Income Tax Act (Canada) (“the ITA”) is that an individual who is resident in Canada is subject to Canadian income tax on worldwide income. Under the ITA an individual is resident in Canada if the individual is ordinarily resident in Canada. An individual may also be resident in Canada under certain deeming provisions of the ITA.

The courts have established certain criteria to determine whether an individual is “ordinarily resident in Canada.” Primary criteria include the maintenance of a home in Canada that is available for occupation, the location of an individual’s immediate family, the intention of the individual as regards returning to Canada, and the frequency and duration of visits to Canada. Secondary criteria include citizenship, the location of other family members and the strength of social and economic ties to Canada versus those ties established in another country.

The Canada Customs & Revenue Agency (CCRA) has also published its interpretation of the law in this area, although its view is not always necessarily supported by the law.

In addition, the provisions of Canada’s bilateral Income Tax Treaties should be carefully considered. One of the purposes of these Income Tax Treaties is to prevent an

individual from being taxed on worldwide income by both Canada and the other country at the same time.

It is not easy to reconcile the application of all of the above to factual situations. This is demonstrated in at least two recent cases, namely, *McFadyen v. The Queen* and *Kadrie v. The Queen*, which were decided by the Tax Court of Canada.

In the *McFadyen* case, the issue was whether Mr. *McFadyen* was resident in Canada during a three-year period of absence, when he was in Japan. The Tax Court decided that Mr. *McFadyen* was resident in Canada during the relevant period.

The circumstances are as follows. Mr. *McFadyen*’s spouse was posted to the Canadian Embassy in Japan for three years. Mr. *McFadyen* decided to reside in Japan with his spouse and terminated his employment in Canada. He retained joint ownership of two rental properties in Canada. He and his spouse sold their motor vehicles. Some of Mr. *McFadyen*’s personal property was shipped to Japan and other personal property was sold or given away permanently. Personal property that was too expensive or bulky to send to Japan was put in storage. He terminated his OHIP coverage. While in Japan, Mr. *McFadyen* maintained two joint bank accounts in Canada. He also

maintained his RRSP (though no contributions were made), a Canadian credit card, a safety deposit box, an Ontario driver's licence and his membership in a professional association.

Mr. McFadyen worked in Japan in various capacities. He also filed Japanese income tax returns and a Canadian income tax return. He testified that it was his intention to stay in Japan as long as he had employment and it was economically viable for him and his spouse. He also testified that he obtained a Japanese driver's licence as well as a Japanese health system card, which he used.

When the request of Mr. McFadyen's spouse for an extension of her three-year posting with the Canadian Embassy was denied, Mr. McFadyen and his spouse began looking for an alternative to the housing provided by the Canadian Embassy in Tokyo. They also began looking for new employment and they purchased a few items of furniture. However, they were unsuccessful in finding new employment and returned to Canada in 1995.

While living in Japan, Mr. McFadyen returned to Canada for a Christmas vacation (three or four weeks in December 1992), for his father's funeral (two or three weeks in June 1993) and for a training course (two weeks in January 1994) as part of his employment with the Canadian Embassy.

The decision of the Tax Court was that Mr. McFadyen was a resident of Canada because his ties to Canada were significant during that period. The judge said that Mr. McFadyen's ownership of two rental properties, in one of which he could reside by giving two months' notice, was a significant link to Canada. The judge also stated that other ties to Canada included the maintenance of an RRSP, two joint bank accounts, an Ontario driver's licence, a safety deposit box, a Canadian credit card, membership in a professional organization, and the storage of some items in Canada. The fact that Mr. McFadyen returned to Canada three times during the period of absence was also held to be a factor.

This case should be contrasted with the recent decision of the Tax Court in *Kadrie v. The Queen*, where the issue was whether Mr. Kadrie was resident in Canada for a three-year period, namely, 1992, 1993 and 1994 when he was in Kuwait. The Court decided that Mr. Kadrie was not a resident of Canada during this time.

Mr. Kadrie, who was born in Canada, resided in Canada until 1977 when he went to the Middle East and obtained employment. He and his spouse (a Jordanian national and a non-resident of Canada) met in Kuwait and were married in 1979. Together with their children they lived in rented apartments in Kuwait until the time that the Gulf War broke

out in August 1990. At that time the house which they had started building was partially completed.

When the Gulf War broke out Mr. Kadrie and his family were visiting his family in Canada. Mr. Kadrie returned to his employment in Kuwait in February 1991 and moved into a furnished apartment provided by his employer. From 1991 until 1994 he was constantly trying to get his family back to Kuwait. However, the government of Kuwait had issued an edict that Jordanian nationals who were not in Kuwait at the end of the war could not return there. His family obtained landed immigrant status in Canada in 1991.

Mr. Kadrie had investments in Canada, including three automobile dealerships. He maintained his OHIP coverage as well as Canadian credit cards. He spent 40 to 42 days in Canada in 1992 and 1993, and 50 to 67 days in Canada in 1994.

The Court decided that during the years in question he was not a resident in Canada, notwithstanding that he held Canadian citizenship, a Canadian passport and a Canadian driver's licence, and notwithstanding that his home address was in Canada. The judge stated: "[Mr. Kadrie] was required to keep his family [in Canada] because his wife could not return to Kuwait. His visits were brief. He owned no home [in Canada]. His total economic focus was in Kuwait, where he had a residence."

The McFadyen decision illustrates the difficulty of severing ties with Canada. Mr. McFadyen did virtually everything possible to sever his ties to Canada but was considered a factual resident because he maintained a few ties to Canada and was only out of the country for three years. Mr. Kadrie was also out of the country for three years and his visits to Canada were brief. Unlike Mr. McFadyen, he did not own a house in Canada. A further distinction appears to be that Mr. Kadrie's family were unable to return to Kuwait.

Because an individual has to be resident somewhere, it is important that individuals who intend to take up residence in another country, ensure that their ties to that other country are strong because a determination of the strength of an individual's ties to Canada is also affected by the strength of that individual's ties to the other country. This point is especially important in regard to a country with which Canada does not have an Income Tax Treaty, which could provide protection to residents of either country.

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Beneficiaries still in Canada?

How to Plan Your Estate



BY JOHN MACLACHLAN

It seems like a few short years ago that you and your spouse were fighting Canadian traffic, meeting deadlines and getting the kids to the hockey rink in time for their practices. Now you are far from that place, both physically and emotionally. You smile as you listen to your children describe the same battles you went through, while you sip from a tall glass and watch the waves crash in.

You've made it. You have retired to a warmer climate with a friendlier tax environment. When the decision was made to become a non-resident of Canada, you went to great lengths to ensure you cut all ties to Canada, which meant you probably had a bit of a tax bill as you left (unless you filed to have capital gains tax delayed until certain assets were sold). In any event, you have come a long way.

Then, all of a sudden, just when you think there is little left to worry about, a nagging voice in the back of your mind reminds you to look into what happens to your assets after your demise. A wave of panic comes over you as you start to think about how scattered your assets are around the world. Perhaps you are living in a civil law country. What does that mean to your estate? How will the children be taxed on their inheritance? Should there be a trust in place? If so, where should the trust be domiciled? Is there any chance of your current country sequestering assets or implementing exchange controls?

This article will attempt to ease some of your fears, and point you in the right direction towards peace of mind.

It should be stressed that this article is not attempting to provide tax or legal advice; the author recommends that if you are considering an offshore trust you should employ a professional advisor.

Can an offshore trust help?

If you have been a non-resident of Canada for more than 60 months, and you do not plan on becoming a resident of Canada in the future, an offshore trust – in the Bahamas, the Channel Islands or the Cayman Islands, for example – could be a solution.

The idea of the trust is one that has been formed and reformed over the centuries and is found primarily in the United Kingdom, United States, Canada and other common law jurisdictions. The trust has three main elements: the settlor, the trustee and the beneficiary. Some trusts also have a protector, appointed by the settlor, to ensure the terms of the trust are adhered to. For the purposes of this article, you are the settlor, there would be an offshore corporate trustee, and the beneficiaries would probably be you, your spouse and your children. The trust could last for one generation or into future generations.

An offshore trust, structured properly, has many interesting benefits. First of all, it will help organize your affairs under one structure. It is also worthwhile to look into the formation of an offshore holding company to be owned by the trust, which may reduce a potential U.S. estate tax liability if you are holding U.S. securities and/or real estate.

A trust separates assets from personal ownership, which can offer protection against a country imposing a new form of tax, exchange control or the possibility of a country sequestering financial assets.

Civil law is a system based on Roman law, while common law is based on the common law of England. Civil law strongly influences property and the succession of property. Some civil law jurisdictions impose forced heirship rules on their residents. For example, the local law decides who receives what amount from your estate. An offshore trust will ensure that your hard-earned assets transfer at the time of your demise to the beneficiaries selected by you. In locations like the Bahamas, the Channel Islands or the Cayman Islands, the law does not recognize any restrictions imposed by other forced heirship legal regimes. This means that you decide, subject to limitations, the fate of your assets, not the law of your country of residence.

If your children are relatively young and perhaps not mature enough to handle large amounts of money, a trust can help control and monitor spending of such beneficiaries. I am sure you would not want to see your 21-year-old son driving a Ferrari to his university classes!

Other obvious reasons for trusts are to provide support for disabled children or for payments to estranged spouses. Offshore trusts are also often set up to provide ongoing funding to various charities around the world.

How will the children be taxed if I do set up a trust?

There are a few ways to transfer wealth to your children. The first and most simple way is to gift assets to them now or periodically. Canada would impose no tax on such gifts. If you failed to defer capital gains tax on certain assets as you became non-resident, you may be held responsible for that tax as you will be deemed to have sold the asset when you gift it. Upon receiving a monetary gift, your children may decide to invest in some form of income-producing asset such as stocks, bonds or real estate. The income earned at this point would indeed be taxed by Canada at a rate dependent on your child's overall income.

By properly structuring a trust for the benefit of your children in an offshore location, you can pave the way for your children to enjoy significant tax savings. This article cannot go into full detail as to the mechanics, but suffice it to say that if you have been a non-resident, meaning you have cut most or all of your ties to Canada with professional help, for at least the past 60 months, and you never plan to move back to Canada, the offshore trust would not be

deemed to be resident in Canada and therefore would not be subject to Canadian taxes. In this scenario your children can receive capital from the trust tax-free but would be responsible for paying tax on income from the trust. Depending on the financial needs of your children, you may want to carefully consider how much capital is distributed to them, due to the fact that once it is in their hands and invested in Canada they will pay tax on the income. It should be stressed that if or when you return to Canada, the trust will be deemed to be resident in Canada and all potential tax benefits will be forfeited. The trust would then be taxed at the highest marginal rate in Canada. The decision to set up such a trust should not be taken lightly.

What are the costs involved?

Typical offshore trustee charges are based on the asset size held by the trust. For example, if you settle a trust with quotable securities to the amount of \$1 million, you would be looking at annual fees between \$5,000 and \$7,000 per year. The trust company involved would also charge some form of acceptance or review fee which is usually in the range of \$3,000 to \$5,000. This covers expenses such as reviewing all documentation and setting the structure up. Additional investment charges will be incurred depending on how the assets are managed inside the trust. For example, if you decide to hire a professional investment manager, those fees would be in addition to the trustee fees.

Legal fees to set up a proper structure can vary widely. Reputable law firms in Canada would charge between \$10,000 and \$25,000 for their work. It may also be wise, depending on where you are now living, to seek legal advice to identify the tax consequences in your new country of setting up such a trust.

This type of planning is definitely not cheap, so the assets involved should be quite substantial. The future benefits to your children should far outweigh the initial and ongoing costs.

Do I lose control of my assets?

This is the basic purpose of a trust. You no longer legally own the assets; the trustee owns the assets in trust and on behalf of your beneficiaries. This does not mean that you cannot help frame guidelines as to how decisions are made with regard to the type of assets held, and to who, why and when your children receive any of the assets. This type of guidance can be accomplished through what is called a "Letter of Wishes." Your tax, legal advisor, or trust officer

**“BY PROPERLY
STRUCTURING A TRUST...
YOU CAN PAVE THE
WAY FOR YOUR CHILDREN
TO ENJOY SIGNIFICANT
TAX SAVINGS”**

can help you construct such a document. It is important to know, however, that this document is informal and the trustee does not have to follow it. Discuss this document in detail with your service providers to ensure your comfort before proceeding.

What happens if my only child predeceases my wife and me?

This very unfortunate situation could be covered off in the "Letter of Wishes," which would state alternative beneficiaries such as another relative or a charity in the event your original beneficiary is no longer alive.

What assets should I gift to the trust?

The choice of which assets to gift into the trust is a decision to be made in cooperation with your tax advisor. Assets such as stocks, bonds, real estate, royalties and any other form of asset can be gifted. It is important to know and recognize pitfalls. For example, as I mentioned earlier, if you elected to delay paying capital gains tax in Canada on certain assets on exiting Canada, the transfer of such an asset could deem it sold, resulting in a Canadian tax bill. Also, gifting real estate to a trust may also result in tax consequences which must be explored.

Where should I domicile the trust?

When looking at different offshore financial centres, the main things to look at are: economic and political stability, level of communications, distance from your present location and that of your beneficiaries, time zone, and how friendly the trust legislation is. Your tax or legal advisor will help you decide or you can do your own research over the Internet.

Having recently become a father, I am aware of the overwhelming desire to take care of our children and grandchildren. A trust is one of the most thoughtful actions you could do for them. This is, provided that the trust is well planned out and is as fair as possible. Some trusts created in the past have been involved in extensive litigation as family members battle out details of their entitlements. It is obviously not your intent to cause disharmony, but rather, the opposite.

I am also a former Canadian resident, so I can sympathize with the amount of work that was necessary to become non-resident. I encourage you to take a look at extending your non-resident trust opportunities to benefit your children or other family members still living in Canada. I hope this article has helped point you in the right direction.

John Maclachlan is Manager, International Trust and Private Banking, Scotiabank. He represents all Scotiabank International locations and may be contacted at: Tel. 345.914.6269 (Grand Cayman) or 416.933.3197 (Toronto), E-mail <john.maclachlan@scotiabank.com>.

Leaving or coming to Canada?

Beware

The tax man may want more than you think...

If you are planning on making a long term move, don't ignore your tax issues. Without proper planning, these tax liabilities can become an unwelcome surprise.

We deal with such questions as:

- ◆ Have you severed enough ties to become a non-resident?
- ◆ Do you have continued responsibility for Canadian tax as a non-resident?
- ◆ Do you know all the tax consequences of migrating to or from Canada?
- ◆ Will your tax returns be properly prepared?

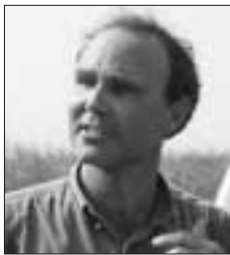
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BY DR. MARK WISE

Your Travel Meds

THE FEMALE TRAVELLER

Why a special article for female travellers? Well, women need to be concerned about everything that males are when they travel (except a prostate), and then an awful lot more! Let's take a quick look at some of these issues.

For starters, certain "things" are the domain of women, such as menstrual periods, vaginal infections, feminine hygiene products, and most of the responsibility for birth control. Travel may play havoc with what was formerly a menstrual cycle that ran like clockwork. The stresses of travel may, in fact, make your period disappear altogether. This is acceptable to many women, as long as you can be sure that you are not pregnant. Using the birth control pill will usually solve the need for a regular cycle.

Speaking of the pill, remember that certain medications, such as the antimalarial doxycycline, can lessen the efficacy of the pill, indicating that barrier methods of contraception should be used as well. If you plan to be on the pill while you are away, be sure to take adequate supplies, as your "brand" may not always be available at your destination. Other forms of birth control such as IUDs, diaphragms, or periodic injections of Depo Provera, are reasonable alternatives to the pill, though they all have their disadvantages.

Sexually transmitted diseases are a risk for both sexes, regardless of where in the world you are travelling or living. Condoms, whether they are "male" or

"female" condoms, are an absolute must if you do not know the HIV or other sexually transmitted disease (STD) status of your sexual partner. Carry your own supplies if necessary!

The most commonly used feminine hygiene products are tampons, and like other necessities of life, they may not be readily available at your local convenience store when you are in Africa, for example. Pack what you will need in advance. An alternative to tampons and pads is "The Keeper," a small, bell-shaped, natural gum rubber menstrual cap that is worn internally. It is comfortable, hygienic, sanitary, safe

"women need to be concerned about everything that males are when they travel ...and then an awful lot more!"

and very easy to use. One cap will last for many years, say the manufacturers (for more information, go to <www.keeper.com>).

Vaginal yeast infections are more common in tropical countries, and may occur as well after being on any antibiotic. You might consider carrying your own remedies such as Monistat or Canestan cream, or a single-dose tablet, Diflucan.

Not every woman is interested in birth control. Maybe it is part of your plan to become pregnant while you are away. The getting pregnant part may be easy,

but assuming you are staying abroad for a long time, the question becomes whether it is safe to have your baby overseas. In most "westernized" countries, the answer will probably be, yes. But what about lesser developed countries?

Consider the following before making your decision:

- What is the quality of the medical facilities?
- Is good pre- and post-natal care available?
- Can the local medical staff handle unexpected emergencies or complications, should they happen to you or your baby?
- Is blood screened for HIV, malaria, syphilis and hepatitis B and C?
- Will you be the first expatriate woman to have a baby there?
- Is it wise to remain in a highly malarious area (if you are in one to start with) during pregnancy?

Adapting to a new culture can present its challenges. Not all foreign cultures are as "liberated" as ours. This is not a huge issue if you are just leaving your cruise ship for a day to tour Zanzibar. But if you are planning to live there, it is an issue.

First, what should you wear? Remember that how you dress may have the effect of offending local women, making you more of a target for harassment by local men, or, on a more positive note, making it easier for you to integrate into the local community. The best way to find out about the proper dress code is to do research before you leave or, better still, by observing the local women – how they dress, how they walk, how they interact with each other and with men. As Yogi Berra, the

great Yankee catcher, once said, "You can observe a lot by watching."

Whether or not you decide to "go native" and adopt the local dress, perhaps the best guideline is: Be conservative. If tradition suggests that your bare shoulders or legs be covered, then cover up. This need not necessarily be in local clothing - anything light, cool and loose fitting will be fine.

There are a few other issues that may be pertinent to women, particularly if you are travelling and relocating with a husband and children. There is a good chance that you will be totally responsible for setting up the household and looking after the kids. Your interface with the new culture will be much different than your spouse's. Once you get your family and household settled in, which will be no easy task, make sure that you devote time and energy to yourself. Set yourself some goals and work towards them.

If you are not planning to work outside of your home, make the most of

your time. Get fit, or even fitter! Try to pursue some of the interests that you never had time for before. Paint, write, play. Sign up for some courses at the local school or university. Immerse yourself in the local language. Take the skills you already possess and share them with the local community in some way. Be a volunteer. There will usually be no shortage of people much less fortunate than yourself who will benefit from your knowledge, sharing and caring.

This might be the time to travel from your adopted location, either with your family, with new friends, or on your own. And finally, if you do have children, this is a great chance to spend that "quality time" with them that we often severely lack back home.

Personal safety is of importance to both sexes but, once again, female travellers have some additional concerns. There are very few instances where local women whistle at and harass foreign men from moving cars. Unfortunately,

the opposite is often true (that is, local men harassing foreign women). Assuming you don't want to be harassed, whistled at, or even worse, remember the following suggestions:

- Whenever possible, do not walk or travel alone. In many cultures, women walk arm-in-arm or holding hands. They talk non-stop and laugh incessantly. This is not just a show of affection. They may be having a good time, but they are also avoiding the local men. If you can find a male companion you like and trust, that's great! Groups of friends are even better.
- Dress with common sense and respect for the local culture. Act in the same way.
- Walk with a sense of purpose, even if you are a little bit disoriented. It is easier to ignore somebody while you are moving and not looking at them.

Your Travel Meds, continued on page 30

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ROCKY RIVER NEAR TRAFALGAR FALLS

years, a southern vacation had always bolstered my health. We had attributed that brief improvement to being in the holiday state of mind. However, with years of medical treatments and my own personal research behind me, I knew that those lovely islands had many of the basic ingredients for potentially restoring my health: clean air, clean food, clean water, fresh breezes and few airtight buildings.

It was by chance that I noticed a short note in the Queen's Alumni Review from a Canadian couple who had uprooted and relocated to the Caribbean. Calgarians Sue Toy and Dennis Ference had actually built a house on the tiny Grenadine island of Bequia ("beck-way"), a short plane ride from Barbados. I made contact, explaining my quest, and they promptly provided me with information and an invitation to visit them if I should come their way.

My decision to proceed to Bequia was made very quickly. I was curious and intrigued that other Canadians had made the leap, and were carving out a new life for themselves in a foreign land.

I had been carefully scrutinizing information about other islands. All of the travel guides promoted Dominica ("dom-in-EE-ka") as a place that appealed to nature lovers and adventure travellers. This English-speaking island is



SULPHUR SPRINGS, SOUFRIÈRE

located between the French West Indian islands of Guadeloupe and Martinique. It offered neither 5-star hotels, nor casinos, nor long stretches of white-sand beach. Instead it boasted of a magnificent rainforest and

other natural wonders as the self-proclaimed "Nature Island of the Caribbean." These appealing descriptions certainly caught my attention.

When I called to book a room, the staff member at Dominica's Springfield Plantation Guest House assured me that they would accommodate my special needs upon my arrival from Bequia. They even offered natural foods and pure spring water. It sounded like just the right ticket and I was very excited.

After a full day of travel from Toronto, Brian and I jet-hopped from Barbados to St. Vincent and then to Bequia. The soft warm breezes, colourful scenery and fragrant flowers took the edge off of my permanent chill and sharpened my senses after the dull, dreary Canadian winter.

When we met up with Sue Toy and Dennis Ference, their extension of Canadian/Caribbean hospitality could not have been finer. Their beautiful home, set on a hill overlooking the harbour was aptly christened "The View," with its stunning sunsets over the sea. They graciously entertained us with a huge meal of local dishes, which included stuffed Mahi-Mahi (fish), christophenes in coconut milk, brown rice, green salad and fresh fruit salad for dessert! (Sue is a gourmet cook.) They gave us a sense of island life and many examples of the differences between Canadian and West Indian cultures. Dennis stressed that it is very important to have a lot of patience and a tremendous sense of humour when living in a developing country.

Tiny Bequia was very lovely – quaint beaches, intimate cafés, and beautiful sailboats in the harbour. But somehow I didn't feel as well as I thought I would there. A nearby garbage dump burned its refuse. The smoke occasionally drifted over the town. Also, drinking water had to be boiled because it was held in cisterns. However, I thoroughly enjoyed my stay and did return last year to renew acquaintances with my first expat Canadian friends.



GWENITH (LEFT) SAILING WITH CANADIAN EXPAT JAN ROGERS

As Brian had to go back to work, I travelled on alone to Dominica. The journey on the small turbo-prop aircraft was a harrowing one. Jet fuel fumes and on-board spraying of insecticides had me almost incapacitated by the time I reached St. Lucia, my in-transit destination. When I boarded the plane for Dominica two hours later, I could not have cared less about anything because I was feeling so ill. After an hour or so and a bumpy landing, I was at Canefield Airport in Dominica. I stumbled off the plane, doubled over with pain and unrelenting nausea. I was not sure if I could make it to the terminal without assistance.

Amazingly, I took a few breaths of fresh air and I immediately began to feel better. In the taxi en route to Springfield, which is 1,200 feet above sea level, I gazed with awe and

fascination at the lush green beauty all around me, and the stunning views of the northwest coast as we climbed higher and higher. It seemed incredible. I was very tired, but hardly felt ill at all by the time I pulled into Springfield.

There, the very caring and concerned manager, Mona George-Dill, warmly greeted me. She appreciated my special needs and went to great lengths to ensure my every comfort. We removed an area rug from the room and she had the maid remake the bed with my own sheets, which I had brought from Canada. The charming space was laden with antique furniture and offered a spectacular view of the Antrim Valley right down to the Caribbean Sea. My room was set farthest away from the kitchen, the road and the parking area. Therefore, I could not be exposed to any type of fumes.

I was delighted with the home-cooked meals, full of fresh local fare. The tranquility of this "heaven on earth" captivated me. I was content to sit for hours on the veranda and gaze down the valley towards the sea. Doves cooed, crickets chirped, huge frogs, called "mountain chickens," called to each other in the night. Sometimes the evening din of the



HIKING IN THE RAINFOREST

insects in the forest was deafening. But I didn't mind one bit. This pristine setting, also a wildlife preserve, had a soothing effect on me. The rushing river nearby was a refreshing place in which to dip in the late afternoons.

Walking trails behind the guesthouse provided plenty of opportunities to stretch my legs and quietly contemplate my next move.

Apart from making myself at home at Springfield, I did take an island tour, a hike to magnificent Middleham Falls, and a tour of Roseau, the capital. I was also impressed with the warm, friendly people I encountered everywhere, who were very willing to provide directions and offer advice about living in their country.

When I returned to Canada after this brief visit, I was sold on Dominica. However, I wished to proceed cautiously as it would be a major step to move overseas. After a few lengthier stays, I decided that a migration to Dominica would be in my best interest, health-wise. Brian felt that such a move would not be appropriate for his career or future plans, so we parted amicably.

Almost five years later, I am still on the Nature Island. Of course, being a resident is not the same as being a tourist. There have been many challenges and I have learned personal lessons here that did not present themselves in Canada. I am very grateful for this opportunity to live in another culture.

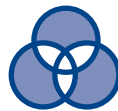
Although I no longer reside at Springfield, I return there whenever possible and continue to be enraptured with its

natural splendour. I am fortunate to be able to rent a modest home south of Roseau in a clean quiet area. I have a spectacular view of the Caribbean Sea and the nearby mountains. My recovery has been slow, with some setbacks. However, I firmly believe that had I continued to live in Canada, I would not have made any progress at all.

In the summertime, I have been able to return to my homeland for follow-up medical treatments. It is always nice to reunite with family and friends and to enjoy the diverse cultural and culinary offerings in the Greater Toronto Area. But by the time late August rolls around, I am usually feeling much worse. The excessive pollution levels have taken their toll. Then I know it is time to return to my beautiful adopted country. As the plane descends into Dominica's Melville Hall airport, I remind myself that I am truly blessed to live on the healing Nature Island.

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Gwenith Whitford is a freelance journalist from Canada who resides in the Commonwealth of Dominica, West Indies. She may be contacted at: E-mail <whitfordg@cwdom.dm>.



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BY CLARISSA GAMBOA

Moving Right Along...

A CANADIAN TEACHING ENGLISH IN JAPAN

I sling my University of Toronto knapsack over my shoulder and I lock the door of my tiny apartment in Kobe, Japan. On my way to the station, a group of children come up to me. Grinning widely, they say, "Hello!" I return their greetings. They shriek and gleefully run down the street. Up ahead, I reach a vending machine where I deposit 120 yen for a can of hot coffee. One of the neighbourhood grocers pauses from unloading his crates of fruits and



CLAIRE WITH STUDENTS



KOBE

calls out: "Ohayo-go-zaimasu" ("Good morning"). His wife pokes her head out of the store and bows. "Ohayo" ("Morning"), she says to me. I smile, bow slightly, answer them with, "Good morning!" and proceed to the train station. Five days a week, I begin my day with these brief exchanges, and for more than a year now this has been my morning routine since I moved to Japan.

My given name is Clarissa, but I'm often called Claire – and a good thing too: I discovered early on that "Clarissa" was a difficult word for my Japanese students to pronounce!

My students constantly ask me why I came to Japan. I tell them that I wanted a change. I wanted to experience new things and visit new places. I wanted to learn about another culture. I wanted to see more of the world.

I was not always sure that I wanted to leave Canada and work abroad. Prior to my move, doubts plagued my mind. What am I doing going to work in a foreign country without knowing the

language, without knowing the city, without knowing a single soul? Who will help me out? How will I manage? For weeks I envisioned the horrors I thought I was about to encounter upon arrival. I mentally prepared myself to cope with the fears and uncertainty I was sure would arise when I arrived in Japan.

But to the contrary, my experience in Japan is not as trying as I imagined. I'd be lying if I said that it has been "a walk in the park," but it's nearly not as difficult as I expected it to be. Sure, it gets rather frustrating when you're desperately trying to communicate to people who can barely understand you. I still have days when I feel rather helpless and lost because, more often than not, I can't express myself.

Nowadays, losing my way in Kobe and Osaka is a common occurrence in my life. It gets quite difficult when I walk into a supermarket and freeze because I am uncertain of what I'm buying. Sugar, salt, and MSG all look the same. How do I tell them apart? Relying on



KOBE MARKET

packaging pictures doesn't always work. Something that appears to be fabric softener can turn out to be bleach! Although I can now function almost independently, every now and then I still find myself asking one of my Japanese friends for a basic translation.

One of the first things that shocked me when I first arrived was the absurdly ridiculous prices of goods in Japan. Everything was expensive. I could not imagine spending money on items that I could purchase at a much lower price back home. I learned quickly, however, that it is best not to convert everything into dollars. After all, Japan's cost of living index is one of the highest in the world. Slowly, I have grown accustomed to the steep prices, although I continue to hold the belief that selling, for example, an ordinary watermelon

for 1,500 yen (\$18) is extortion! Foreign goods such as magazines, maple syrup, jams, cheese and pasta

"I wanted to experience new things and visit new places... I wanted to see more of the world."

sauce cost three times what they sell for in Canada. In short, Japan really is an expensive country to live in.



NIGHT VIEW OF KOBE

On the up side, there are many items here that are quite difficult to find at home. Not surprisingly, the kimonos and yukatas I've seen here are gorgeous! Even more beautiful is seeing people actually wearing them on the street. As well, there is a great assortment of Japanese delicacies and wine. Various kinds of sake (Japanese rice wine) are served both hot and cold in beautiful sake cups.

For seafood lovers, Japan is indeed a country of choice. The many types of sushi and sashimi are delicious. As well, I've learned to try new dishes that I've never seen in Japanese restaurants back home. There's yakisoba, a Japanese noodle dish. And one must try okunamiyaki, a kind of Japanese cabbage pancake. I've even developed a new mentality concerning food: If everyone's eating it, then it must be edible. Sometimes, it's better not to ask what it is – just eat what is presented to you!

Kobe is a beautiful city with a big international community. I have met fellow Canadians and people from many parts of the world. Within half an hour, you can go from the Port of Kobe at the seaside to the Rokko Mountains. In downtown Kobe the streets buzz with excitement as workers compete with each other advertising karaoke bars and "izakaya" restaurants. Bicycles and scooters mingle with the cars and vans on the road. The noise from the arcades and the pachinko places (a Japanese type slot machine) fills the air.

At night, local musicians showcase their talents on the street, displaying



REMNANTS OF THE 1995 EARTHQUAKE

Western influences as they play various genres such as jazz, rock and rap music. A few blocks' walk up the hill to Kitano, however, takes you away from the hustle and bustle of an Asian city and transports you to a more European atmosphere, where the Old Foreign Settlement Houses still stand. And once in a while, I still see traces of the damage and destruction caused by the Great Hanshin earthquake of 1995. Indeed, there is so much to see and do in Japan! Even after more than a year

here I still spend my weekends as a tourist, exploring new places and avenues in Kobe, and its neighbouring cities, Osaka, Kyoto and Nara.

Initially, I found Japanese people are rather shy. Those who do speak English are very conscious of how they speak. However, after getting to know my students better, I've realized just how much they want to speak to foreigners.

Because of my Canadian nationality, my students are very eager to learn

more about Canada, particularly Toronto. They ask questions about things that we Canadians take for granted: High Occupancy Vehicle (H.O.V.) lanes, car pooling, snowdays, sidewalks, and 24-hour ATM machines. They are fascinated by our loonies and toonies - and the fact that we have *nick-names* for these coins. They ask about Canada Day and are surprised to find out that it does not fall on July 4. They ask about Niagara Falls, and the CN Tower, and the Sky Dome's retractable roof. They study and scrutinize the pictures of Toronto that I have on my walls. They ask about my family and friends and about Canadians in general. It is evident how much they want to learn about our country, our culture and our traditions.

My move to Japan has been a very humbling experience. I can't remember a time when I had to rely on so many people for assistance. On arrival I felt illiterate because I could not read the Kanji (Chinese/Japanese word symbols that represent objects). I felt mute because I could not speak to people, nor could I understand what they were trying to say to me. But strangers and friends alike have been good to me, and are always willing to give a helping hand. I can recall two occasions when my foreign friends and I were completely lost. In both cases, we approached strangers and asked for directions with little Japanese phrases that we know. Not only did they give us the directions in halting English, they even went as far as to take us to where we needed to go!

The people I've met here, who I now call my friends, have been very welcoming, generous, and supportive. Japanese hospitality is overwhelming. Within a week of my arrival, I was invited to a barbecue where people treated me like someone they've known for years. They introduced me to customs, like taking off your shoes before you enter someone's house. They taught me how to use chopsticks, and how to



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CLAIRE DRESSED AS A MAIKO-SAN OR GEISHA-IN-TRAINING

properly hold a bowl. They taught me how to make sushi rolls. They taught me practical words and phrases that help me get by. They drew me maps to help me find my way around the city. In fact, I still carry a set of directions written by a friend in Kanji to show taxi cab drivers how to drive me home! Most important of all, they taught me how easy it is to make new friends, despite the language barrier and our cultural differences.

I'm learning a lot during my stay here in Japan. I'm having a great time experiencing a new culture. Once in a while, I am still stunned by the way the Japanese regard most foreigners with such respect. They have gone out of their way to make my stay here enjoyable. They have been very good to me. So good that sometimes I feel rather uncomfortable with the star treatment they give me. After all, I'm not a superstar – just Canadian living happily in a foreign land.

Clarissa Gamboa has B.A. in English from the University of Toronto. She is the daughter of Fred Gamboa, Manager, Military Division, **AMJ Campbell International**. Clarissa works for the **Geos Corporation**, a worldwide Language Institute headquartered in Japan. She may be contacted at: E-mail <cgamboa_2000@yahoo.com>.



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Running with the Bulls, continued from page 13

operates a fund that invests entirely in U.S. mortgage-backed securities, such as Fannie Maes and Freddie Macs. The fund also uses leverage by borrowing money at lower rates to invest in the higher paying mortgage backs. Using this strategy they returned approximately 15 per cent in 2001.

Given current interest rates and the exceptional returns, where is the risk? If you say in the leverage, you are only partially right. Yes, the leverage does provide risk in that it could magnify losses. But this would only happen if short-term interest rates exceed the investment returns on the U.S. mortgage backs. The real risk resides with interest rates. If short-term interest rates were to go up dramatically (not very likely, given current economic conditions), the investment return would definitely be impeded. There is also risk with the U.S. mortgage backs, although it is very minimal, as they are AAA-rated U.S. government agencies.

This brings us to the ultimate goal of investing: optimizing your return, given the risk you are taking. You want as much return for as little risk as possible. The key

is to make sure you are being paid for the risk you are taking on and, conversely, if you require a certain rate of return that you are not taking too much risk in order to achieve your desired goal.

If you find yourself looking to improve return on your investment portfolio, you have to look first to see if you are being paid for the risk you are currently taking. If you are not, you have to adjust the portfolio to make it as efficient as possible. If you are achieving an appropriate return for the risk you are taking on, the next question is whether or not you want to increase your risk.

Finally, if you do find yourself looking for that increased return, ask yourself why you can get a better rate of interest/target return/payout/yield with one particular institution or investment instrument versus another. If you understand the risk, and are comfortable with it, you are ready to invest. If you can't figure out where the risk is at all, it is definitely time to look elsewhere.

Maurice Fortier is Vice President, Investment Services, **Bayshore Bank & Trust (Barbados) Corporation**. If you have any questions about this column, offshore investing or expatriate issues, Maurice may be contacted at: Tel. 246-430-8650, E-mail <mfortier@bayshore-international.com>.

Your Travel Meds, continued from page 22

- Wear a cheap wedding band, and have some stories ready to tell about your "husband and children," even if you have neither.
- If there are "women only" buses or cars on the train, take them. They are probably there for a reason.
- Make sure that your hotel room is locked. Don't open the door unless you know who is on the other side.
- Follow your gut reactions. If a situation doesn't feel comfortable, you should remove yourself from that situation as quickly as possible.
- Don't accept a drink unless you have seen it poured.
- Ensure your living accommodations are secure.

As the famed aviatrix Amelia Earhart once said, "Adventure is worthwhile in itself." Good luck on your adventure, and go with care!

Mark Wise is a Family Doctor in Thornhill, Ontario. He is the Medical Advisor to Voluntary Service Overseas (VSO), a Canadian non-government organization sending volunteers to lesser-developed countries. He runs **The Travel Clinic**, and is the author of *Malaria, Montezuma and Me - A Medical Guide for Travellers*. For a copy of the book, please contact him at <markwise@home.com>.

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