Top Tax Tips

1. **Can you defer capital gains outside of your RRSP?**

   As you know a key advantage of contributing to an RRSP is the ability to defer taxable income and capital gains to a future date when you are in a lower tax bracket, usually upon retirement. There is another strategy available to defer capital gains tax for investments outside of your RRSP through Corporate Class funds offered by many of the mutual fund companies today.

2. **Have you considered all possibilities for income splitting?**

   If you're over age 65 and receive the Old Age Security Pension (OAS) or if you have received Employment Insurance (EI) benefits, income-splitting opportunities may eliminate or reduce the OAS or the EI claw-back.

3. **Are you over 71 and still have RRSP contribution room?**

   If you are over 71 you can't put any more money into an RRSP in your name. But, if your spouse or common-law partner is age 71 or younger, you may use your RRSP contribution room by contributing to a spousal RRSP. This will give you a tax deduction and increase your spouse's or common-law partner's income in future years when the funds are withdrawn – thus accomplishing a form of income splitting on retirement.

4. **Do you have a child under the age of 18 that has earned income?**

   Even if your child does not have to pay taxes, filing a tax return will create RRSP contribution room in respect of any earned income. Contributions that are made in your child's RRSP don't have to be deducted from income in the year they are made. Instead, the deduction can be carried forward indefinitely and deducted in a future year when the income is higher. Meanwhile, the money is growing tax-free inside the RRSP.

5. **Upon death, should you transfer property to a surviving spouse, common-law partner or testamentary spouse trust at the adjusted cost base (ACB)?**

   The transfer of capital property to the surviving spouse, common-law partner or testamentary spousal trust is generally done at the adjusted cost base (ACB) in order to defer potential capital gains tax until the property is disposed of or upon the surviving spouse's or common-law partner's death. If the deceased's income is low, it may be a advantages to trigger all or part of the capital gains to be reported on the final return and have the capital gains taxed to the deceased.

6. Did you receive a retiring allowance this year?

You may still be able to contribute the eligible amount to your RRSP without affecting your RRSP contribution room, even if you did not elect for the transfer to be processed directly from your employer. This option is only available for up to 60 days after the year-end. Please note that payments for unused sick leave qualify as "retiring allowance," however payments for accumulated vacation leave do not qualify.

7. Not sure whether to accumulate savings for your children's post-secondary education in an informal in-trust account or a Registered Education Savings Plan (RESP)?

In an in-trust account, capital gains may be taxed in the hands of the minor child while other income (e.g. interest) may be attributed back to you, the contributor. RESPs defer taxes on all income earned in the investment until the funds are withdrawn when the beneficiary is pursuing his or her post-secondary education. There are many complex rules to both savings vehicles that you should investigate further before making any final decisions on which vehicle is better for you.

8. Is the interest tax deductible on an investment loan?

Generally, the interest paid on an investment loan is tax deductible. The income tax act explicitly states that any interest expense incurred to purchase property that produces income is tax deductible.

9. Are you looking for ways to minimize probate fees on your estate?

There are many strategies available to reduce the probate fees and minimize estate costs. A common method used is to hold property as joint tenants with rights of survivorship (not available in Quebec). Jointly held property passes automatically to surviving joint owner(s) and therefore does not form part of the estate and is not subject to probate tax.

Getting Advice

Reviewing your Tax Plans? We encourage you to talk to us. Speak to your Financial Advisor or contact investor services at 1 800 608 7707.