



Top 10 Tax Tips

1 Use an RRSP after age 69

Are you over 69 and still have RRSP contribution room? If you are over 69 but your spouse or common-law partner is age 69 or younger, you may use your RRSP contribution room by contributing to a spousal RRSP. This will help to reduce your current income and increase your spouse's or common-law partner's income in future years when the funds are withdrawn – thus accomplishing a form of income splitting on retirement. Please refer to AIM Trimark Investments tax info page *RRSPs vs Open Accounts* for the advantages of contributing to an RRSP.

2 Use RRSPs for minor children

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. A child is permitted to have an RRSP but cannot make the \$2,000 overcontribution. Contributions that are made into a child's RRSP may be carried forward indefinitely and deducted in a future year to reduce taxable income.

3 Take advantage of income-splitting opportunities

Have you considered all possibilities for income splitting? Attribution rules do not apply on capital gains for children under the age of 18, nor do the rules apply to second-generation income. If your spouse or common-law partner does not have any income, they may be able to receive up to \$28,000 in tax-free dividends. If you are over age 65 and receiving 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 clawbacks. Please refer to our *Income-Splitting Opportunities* tax info page.

4 Maximize tax-deferral for retiring allowances

Did you receive a retiring allowance in 2003? 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. Payments for unused sick leave qualify as "retiring allowance," however payments for accumulated vacation leave do not qualify. Please refer to our *Retiring Allowance* tax info page for further details.



5 Reduce taxes withheld at source

Are you making regular payments to your RRSP from your bank account? Rather than waiting for your income tax refund, you may be able to take advantage of immediate tax savings and increase your cash flow. To do this, simply submit Form T1213 to Canada Customs and Revenue Agency (CCRA) for authorization. Once authorized your employer will be able to reduce the amount of taxes they are required to withhold based on the amount of your regular RRSP contribution. A further advantage of regular RRSP contributions would be to dollar cost average. Talk to your advisor about how this works and refer to our tax info page, *Reducing Tax at Source*, for more information on reducing your withholding taxes.

6 Consider investing in a mutual fund corporation

Can you defer capital gains outside of your RRSP? One of the advantages 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 your RRSP. Imagine the tax savings if you had deferred any realized capital gains from a 75 per cent inclusion rate to the reduced inclusion rate of 50 per cent. Investments in AIM Trimark's corporate funds allow you to switch between a large variety of funds while deferring any capital gains tax. Talk to your advisor about AIM Trimark's corporate funds and their tax advantages, and ask about AIM Core Bundles™.

7 Invest for your child's education

Do you have children under the age of 18 and are not sure whether to accumulate savings for their post-secondary-level 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 any income may be attributed back to the contributor, depending on the source of the funds. RESP's defer taxes on income 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 your advisor could assist you with. Please refer to our *In-trust Accounts* and *Registered Education Savings Plan* tax info pages.

8 Make your interest tax-deductible

Is the interest tax deductible on an investment loan? The Supreme Court of Canada released its long-awaited decision in the *Singleton* case in favour of the taxpayer. The facts in *Singleton* are very similar to the advice many Canadians receive from their financial planners before buying a home. The strategy often suggests to liquidate any non-registered investments (stocks, bonds, mutual funds, etc.) and use the cash received upon disposition to either fully purchase their home or at least to reduce the amount of the mortgage. The new homeowner would then acquire an "investment loan" and repurchase the securities previously disposed of with the favourable result that what would have been non-deductible interest expense on the mortgage has now become tax deductible. Talk to your advisor and refer to the *Supreme Court Ruling on Interest Expense* info page for further details.



9 Minimize probate costs with joint ownership

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). This is not always the best strategy because of some dangers associated with jointly held property such as possible tax implications when adding the joint name onto the property in addition to the future taxation of income and growth. Please refer to our tax and estate info pages *Probate Planning*, *Joint Accounts*, *Estate Planning Using Alter-Ego / Joint Partner Trusts* and *Tax Planning Using Alter Ego / Joint Partner Trusts*.

10 Think about tax savings on estate assets

Upon death, should you transfer property to a surviving spouse, common-law partner or testamentary spouse trust at the adjusted cost base (ACB)? Upon the death of an individual, the transfer of capital property to the surviving spouse, common-law partner or testamentary spousal trust is generally done at the 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. In some cases there may be a tax advantage 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. For further information, please refer to our *Death & Taxes* tax info page.

Have a tax or estate planning question?

Consult your advisor, call us at 1.800.874.6275

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