IG PRIVATE WEALTH MANAGEMENT

2019 year-end tax planning checklist

Our holistic approach to financial planning and wealth management begins with gaining a deep understanding of all aspects of your financial life.

We explore your goals and answer your questions about how to say yes to life's possibilities. Your IG Private Wealth Management Consultant will help you create an IG Living Plan™ – a detailed financial plan that takes your entire life into account and is reviewed and updated regularly.

Even though financial planning is a year-round activity, certain issues become especially important as year-end approaches.

Our team of financial planning experts, who specialize in tax, insurance, life planning and more, created this tax planning tool to help you identify strategies that could help you reduce your taxes this year and put your best foot forward in the year to come.

The following checklist will help identify and explain strategies that could reduce your taxes this year or next.

- Saving for retirement with RSPs
- Imminent retirement
- Retirement
- Investment planning
- Registered Education Savings Plans (RESPs)
- Tax-Free Savings Accounts (TFSAs)
- Home Buyers' Plan (HBP)
- Registered Disability savings Plans (RDSPs)
- Charitable gift planning
- Marital status and home ownership
- Business owners

Saving for retirement with RSPs

Aside from making your RSP contribution prior to the deadline and within your contribution limit, be sure to take the following into consideration.

Will you have unused RSP contribution room?

☐ Yes ☐ No

If you have contributed less to your RSP than the maximum permitted in prior years, you should have unused RSP contribution room carried forward. Consider topping up your RSP to the maximum allowed. You may even want to consider borrowing to make your RSP contribution. Your IG Consultant can help you maximize your RSP contribution room to take advantage of all the benefits they have to offer.

Do you have a spousal RSP?

☐ Yes ☐ No

If you have a spousal RSP established, make your contribution before year-end to minimize the possibility of attribution rules applying on future withdrawals.

If your spouse passed away this year, you can still consider making a final contribution to a spousal RSP if your spouse has unused RSP contribution room. The contribution can be deducted against income on your spouse's final tax return.

Imminent retirement

As retirement approaches, you will want to make sure you have the income you need for the lifestyle you want to maintain. Meeting with your IG Consultant to review your retirement income sources and expenses will give you peace of mind as you transition into this new phase of your life.

Do you have pension and benefit options from your employer?

☐ Yes ☐ No

Be sure to promptly review any retirement options provided by your employer as there will be decisions to make with deadlines to meet.

Will you receive a severance payment from your employer?

☐ Yes ☐ No

Some employers will provide a severance payment upon retirement. Be sure you know your options.

If you turn 60 or 65 this year, have you applied for CPP or OAS?

☐ Yes ☐ No

If you turn 60 this year, you can apply for your CPP retirement pension benefit. If you start your CPP retirement pension prior to turning 65, it will be reduced by 0.6% per month for every month before age 65 (e.g. a 36% reduction if started at age 60) to adjust for the longer time period that you will receive benefits. If you delay the start of your CPP retirement pension until after 65, you will receive a 0.7% enhancement for every month you wait (e.g. a 42% enhancement if you wait until age 70).

If you turn 65 this year, consider applying for Old Age Security (OAS). If you apply after age 65, retroactive payments are available for up to 11 months plus the month in which you apply. You can also choose to delay your OAS for up to 5 years, and receive an enhanced OAS pension of 0.6% for every month you wait past the age of 65 (e.g. a 36% enhancement if you wait until 70).

Retirement

Have your retirement income needs changed? Are you receiving excess retirement income, e.g., RIF income that is not required for your lifestyle and is greater than your required minimum withdrawals?

☐ Yes ☐ No

Consider contacting your IG Consultant to discuss options such as basing your RIF withdrawals on the age of your spouse or common-law partner to maximize pension income splitting opportunities.

Do you qualify for the pension income credit (between the ages of 65 and 71)?

☐ Yes ☐ No

Being eligible for this credit opens up certain planning strategies such as pension income splitting. Claiming this credit may allow you to receive the first $2,000 of your pension income on a tax-free basis. Not sure if you qualify? Contact your IG Consultant to find out.

Did or will you reach age 71 this year?

☐ Yes ☐ No

If you turn 71 this year and have earned income, consider making an RSP over-contribution in December. This strategy means that you will over-contribute for one month and be subject to a 1% per month penalty tax; however, you will also be entitled to an RSP deduction that will provide tax savings that far outweigh the penalty tax. Your earned income from this year will generate additional RSP contribution room as of January 1 that will reduce the over-contribution from December of this year.

Investment planning

Do you have potential capital gains this year?

☐ Yes ☐ No

If yes, consider triggering a capital loss prior to the end of the year. Capital losses can be used to offset capital gains in the current year and any excess can be applied against gains in any of the three prior calendar years. This strategy will potentially help you recover taxes paid on previously reported capital gains.

Are you triggering capital gains as a tax-efficient form of income?

☐ Yes ☐ No

If yes, consider these ideas to minimize your tax bill even further:

Apply unused capital losses against your capital gains (as mentioned above).

Delay the sale of the investment until after December 31 of this year. This will allow you to push your tax bill to April 2021 when you file your 2020 tax return.

Transfer investments that have dropped in value to a trust with a minor child as a beneficiary before year-end. The capital loss can offset capital gains this year and in the three years prior. Plus, a properly structured trust can allocate realized capital gains to a minor beneficiary, which usually results in minimal or nil tax.

Do you have investment-related expenses that can be used as a deduction on your personal tax return?

If you have non-registered investments for which you are charged an advisory fee, those expenses will generally be deductible for income tax purposes. You cannot deduct advisory fees for TFSAs, RRSPs, RRIFs, RESPs or RDSPs. In certain situations, premiums on insurance policies that are mandated by lenders may be deductible.

Registered Education Savings Plans (RESPs)

Do you have growing children for whom you could create an RESP? If you are already an RESP subscriber, have you contributed yet this year?

☐ Yes ☐ No

Contributions to an RESP entitle you to a Canada Education Savings Grant (CESG) of up to $500 per year or $1,000 if there is unused grant room from previous years. If the beneficiary of your RESP is turning 15 this year, certain factors must be satisfied to remain grant eligible to the end of the year they turn 17. Speak with your IG Consultant to help you maximize your CESG.

Do you or your children have unused education and textbook credit amounts carried forward from years prior to 2017?

☐ Yes ☐ No

The education and textbook tax credit was eliminated as of January 1, 2017, but unused amounts can still be claimed.

Tax-Free Savings Accounts (TFSAs)

Have you made a TFSA contribution yet this year?

☐ Yes ☐ No

Consider contributing to a TFSA to take advantage of tax-sheltered savings. Investment income earned in and any withdrawals from a TFSA are tax-free.

The contribution limit this year is $6,000. But don't forget about any unused contribution room.

Do you have unused TFSA contribution room from previous years?

☐ Yes ☐ No

If you have never contributed to a TFSA, you may be able to contribute up to the accumulated limit of $63,500. Talk to your IG Consultant to calculate your unused contribution limit today.

Will you be withdrawing funds from a TFSA?

☐ Yes ☐ No

If so, a withdrawal before December 31 will create contribution room in January, 2020. If you delay the withdrawal until the new year, you will not get the contribution room created from the withdrawal until 2021.

Have you considered using TFSAs for income splitting?

☐ Yes ☐ No

You can gift money to adult family members who are residents of Canada. They can use those funds to make contributions to their own TFSA, and not only are future withdrawals tax-free to the TFSA owner, but there is also no attribution to the individual who made the gift.

Home Buyers' Plan (HBP)

Are you planning an HBP withdrawal soon?

☐ Yes ☐ No

Consider these HBP rules when deciding when to withdraw via an HBP:

1 | You must purchase a qualifying home by October 1 of the year following the withdrawal.

2 | All withdrawals must be made in the same calendar year.

3 | Repayments of the withdrawal must begin two years following the year of withdrawal. Delaying your withdrawal will allow you more time to purchase a home, make more withdrawals if necessary (up to a maximum of $35,000), and extend the time before you have to begin repaying the funds.

Have you made an HBP withdrawal in the last two years?

☐ Yes ☐ No

Be sure to make your required repayment and designate the contribution as a repayment on Schedule 7 of your personal tax return to avoid any unnecessary income inclusion.

Check your Notice of Assessment from the Canada Revenue Agency (CRA) for more information if you're unsure of your repayment requirement.

Have you checked to see if you qualify for the first-time home buyers' tax credit (HBTC)?

☐ Yes ☐ No

This tax credit allows qualified home buyers to claim a tax credit of $5,000. Qualifications for the HBTC are the same as for the Home Buyers' Plan.

Registered Disability Savings Plans (RDSPs)

Do you or a loved one qualify for the Disability Tax Credit (DTC)?

☐ Yes ☐ No

If so, consider establishing an RDSP to assist in securing the financial future of a beneficiary with a disability. While contributions to an RDSP are not

tax deductible, RDSP investment returns grow on a tax-deferred basis for as long as the funds are in the plan. There is a lifetime contribution limit of $200,000. However, the Canada Disability Savings Grant (CDSG) and the Canada Disability Savings Bond (CDSB) can significantly increase the total RDSP value.

If you are an RDSP holder, have you made a contribution this year?

☐ Yes ☐ No

Consider maximizing your RDSP contributions this year to take advantage of the RDSP carryforward rules, which entitle RDSP beneficiaries to previously unclaimed CDSGs and CDSBs for up to ten years.

Charitable gift planning

Are you considering a donation to a charity this year?

☐ Yes ☐ No

Donating to a registered charity by the end of the year provides valuable tax credits. Consider donating publicly-traded securities or mutual funds that have appreciated in value. You will receive a tax receipt equal to the value of the investment and any resulting capital gain will be exempt from tax.

Would you be interested in establishing your own charitable foundation?

☐ Yes ☐ No

Whether you simply want to provide ongoing support for your favourite charity or want to create a legacy that will last in perpetuity, the IG Wealth Management Charitable Giving Program provides an excellent alternative to a private foundation. This program is a donor-advised charitable giving program that facilitates philanthropy without the administrative responsibilities, expensive set-up and ongoing costs of a private foundation.

You would make an irrevocable donation to the "Strategic Charitable Giving Foundation" and the Foundation would establish an account for you to manage. You receive a charitable donation tax receipt for every donation to the Foundation. The funds are invested based upon your direction and each year you would authorize grants from the account to a charity or charities of your choice.

Marital status and home ownership

Did you sell a home or rental property?

☐ Yes ☐ No

If you sold your home, you could avoid paying tax by declaring it as your principal residence, but you need to report the sale on Schedule 3 and Form T2091. If you sold a rental property you need to report the sale on Schedule 3 and file the T776 Statement of Real Estate Rentals.

Are you considering selling a property that is in a capital loss position?

☐ Yes ☐ No

If you want to repurchase the same property, you need to be aware of the superficial loss rules, which could result in a capital loss being deemed to be nil.

A superficial loss will occur where:

- During the period that begins 30 days before a disposition ends and 30 days after a disposition, you or a person affiliated with you acquire a property that is the same property or identical property, and
- At the end of that period, you or a person affiliated with you own or had a right to acquire the same or identical property.

Do you own foreign sourced property?

☐ Yes ☐ No

If at any time during the year the total cost amount of your specified foreign property was more than $100,000, you must file CRA Form T1135 – Foreign Income Verification Statement. Specified foreign property includes stocks, mutual funds, interest-bearing investments and rental properties; however, a personal-use property is not considered specified foreign property.

There are significant penalties for failure to complete and file this form by the due date of your tax return. The penalty is the greater of $100 or $25 per day for each day that the return is late, with a maximum penalty of $2,500. This penalty is applicable for every tax year in which the form is not filed.

Do you have minor children or other eligible dependents living at home?

☐ Yes ☐ No

Ensure that you claim all of the tax credits and deductions for which you are eligible. These could include the child care expenses, the eligible dependent tax credit, the disability amount, the caregiver tax credit and more.

Would income splitting opportunities with a spouse or your children improve your overall tax situation?

☐ Yes ☐ No

Consider the use of a spousal loan or funding a family trust with a prescribed rate loan. The lender will have to include the interest income from the loan on their tax return. Any income earned from the borrowed funds is taxable to the borrower. Depending upon the use of the borrowed funds, the interest on the prescribed rate loan may be deductible for the borrower. The interest owing on the prescribed rate loan must be paid to the lender by January 30 of the year following the calendar year the interest related to.

Did your marital status change before December 31?

☐ Yes ☐ No

If you separate or divorce after December 31, you have to file your income tax return as married. Until the divorce is finalized, you will be required to file your tax return as “separated”. Once your divorce agreement is finalized, you can file your tax return as “divorced”.

When your marital status changes, it’s important to notify the Canada Revenue Agency (CRA). If your marital status has changed during the year, you must notify the agency by the end of the month following your change in status. However, if you are separated, you must wait until you have been separated for more than 90 consecutive days before you notify the CRA. Speak with your IG Consultant, who can help you navigate any available credits and deductions.

Business owners

Did family members provide any services to your business this year?

☐ Yes ☐ No

Consider paying family members, e.g., spouse/children, a salary or wage to shift income into the hands of those who may pay tax at lower tax rates. Bonus: this income-splitting strategy helps children build RSP contribution room. However, ensure that the salaries are reasonable based on the services provided by the family member to the business.

Have you compensated yourself from your corporation?

☐ Yes ☐ No

The optimal mix of salary and eligible or non-eligible dividends can only be determined after considering both your personal and your corporation's financial and tax position. Consult with your corporate accountant to determine your optimal compensation mix.

Before declaring dividends, ensure that the dividends will not be considered split income and subject to the highest marginal tax rate. If the dividends would be considered split income, consider whether any of the exceptions to the tax on split income (TOSI) rules may apply.

Are you planning to provide a non-cash gift or award to employees?

☐ Yes ☐ No

If the fair market value exceeds $500, including HST/GST and PST, then the amount over $500 must be included in the employee's income. There are special rules for long-term service awards, which can be given out every five years.

Are you considering selling your business or transitioning it to the next generation?

☐ Yes ☐ No

The time to start planning is now as you will want to ensure the process is handled as seamlessly and tax efficiently as possible. Things that you need to consider include: whether it be a share or asset sale; whether you be able to use your lifetime capital gains exemption; and whether you wish to implement an estate freeze. It is best to start to plan well in advance so that you get the best possible result from the sale/transition.

Do you have a shareholder loan?

☐ Yes ☐ No

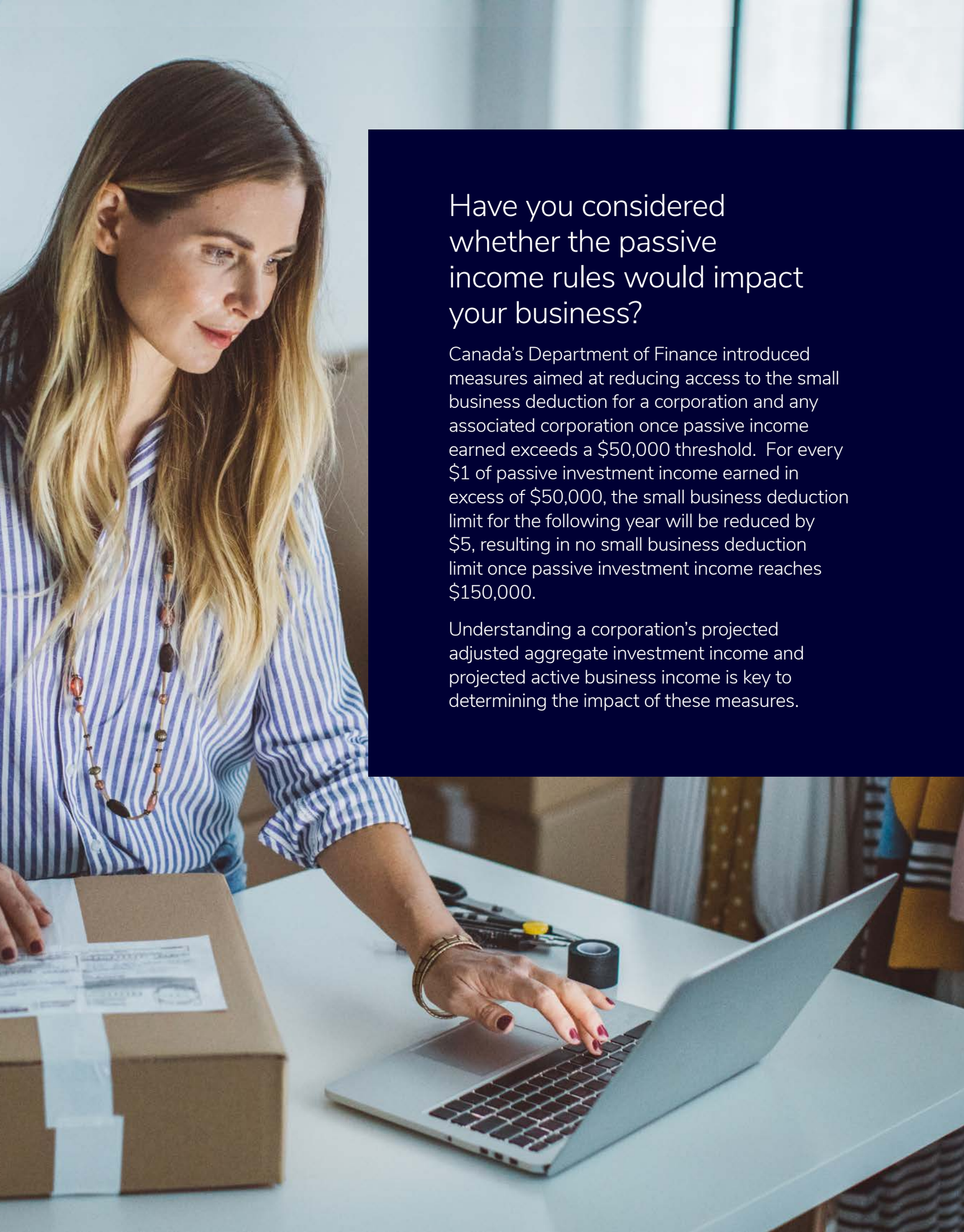
If your corporation loaned you money, you must repay the loan within one year of the end of the corporation's tax year in which the loan was made. If the loan is not repaid within this time limit, you will have to include the value of the shareholder loan as income on your personal tax return.

If, instead, you have loaned your corporation money, that amount can be repaid to you tax-free.

Does your corporation have a capital dividend account (CDA) balance?

☐ Yes ☐ No

There are many ways for your corporation to generate a balance in its CDA. One of the more common ways is when a Canadian private corporation realizes a gain, such as on the sale of its investments. When a gain is realized, the non-taxable portion (e.g. 50%) of the corporation's gain is added to its CDA. Any balance in this account may be distributed to shareholders as a non-taxable dividend provided the required election is filed with the Canada Revenue Agency.



Have you considered whether the passive income rules would impact your business?

Canada's Department of Finance introduced measures aimed at reducing access to the small business deduction for a corporation and any associated corporation once passive income earned exceeds a $50,000 threshold. For every $1 of passive investment income earned in excess of $50,000, the small business deduction limit for the following year will be reduced by $5, resulting in no small business deduction limit once passive investment income reaches $150,000.

Understanding a corporation's projected adjusted aggregate investment income and projected active business income is key to determining the impact of these measures.

At IG Private Wealth Management, we believe in comprehensive financial wellbeing that comes from the power of expert advice to change lives for the better. We are committed to helping Canadians feel empowered about their finances and to improving their ability to achieve their personal financial goals by synchronizing all aspects of their financial lives through the IG Living Plan*.

For more information, please contact your IG Consultant.

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* To learn more about the IG Living Plan, visit https://investorsgroup.com/why-us/living-plan