

TOP 10 TAX TIPS

Here are our top 10 tax tips that clients can implement immediately to save tax throughout the entire year:

1. Maximize RRSP Contributions

The new contribution limit for registered retirement savings plans the lesser of 18% of the previous year's earned income or \$19,000 for 2007, \$20,000 for 2008, \$21,000 for 2009, or \$22,000 for 2010.

2. Maximize RRSP Foreign Content

With the elimination of the foreign content limit, clients now have the option of investing their entire RRSP or registered retirement income fund globally, without any artificial restrictions.

3. Set Up a Spousal RRSP

The primary benefit of spousal RRSPs is that withdrawals can be taxed in the hands of the annuitant rather than the contributor. If the annuitant spouse is in a lower tax bracket than the contributor spouse in the year of withdrawal, there may be an absolute and permanent tax savings.

4. Invest Outside an RRSP

Investing in shares of multi-class mutual fund corporations has two key benefits: (1) investors can switch from one class of shares to another without incurring any immediate capital gains tax; (2) mutual fund corporations are generally able to minimize the annual capital gains distributions by using capital losses of one class to offset capital gains otherwise distributable for other classes.

5. Open Up RESPs for (Grand)Children

The Canada Education Savings Grant (CESG) Program provides a 20% grant on the first \$2,500 a year of annual RESP contributions for each beneficiary. Higher grants may apply to low- and middle-income families. There is also the opportunity to collect prior years' CESGs, cumulatively retroactive to 1998 for new RESPs.

6. Make Interest Tax Deductible

Clients can sell non-registered investments (subject to any capital gain/loss considerations), pay off the mortgage (again, subject to an early payment penalties) and then get a secured line of credit against their home to repurchase the securities sold. This allows otherwise non-deductible interest to become tax deductible.

7. Consider Income Splitting

Clients should consider making an investment loan to a lower-income spouse or partner using the Canada Revenue Agency's prescribed rate at the time the loan was originally entered into. Even if the prescribed rate goes up in a later quarter, they can continue to take advantage of the original rate on the loan.

8. Consider a Systematic Withdrawal Plan

Consider setting up a systematic withdrawal plan that provides a regular, tax-efficient cash flow from their mutual fund account.

9. Donate "In-Kind" to Charity

By donating appreciated stock or mutual funds directly to charities, your client will no longer have to pay any capital gains tax and they'll get a receipt equal to the fair market value of the stock or funds donated.

10. Plan Now Not to Get a Tax Refund

Finally, if clients regularly get a significant tax refund each spring, perhaps due to RRSP contributions made during the year, they should consider applying to the CRA for a reduction of tax withheld at source by their employer. Remember, the CRA's Form T1213 needs to be completed each year if they are not in an employer-sponsored payroll-deduction group RRSP.