Year-end tax tips and planning

Tax and financial planning are a year-round exercise, and opportunities may arise at any time in the year. However, many situations require extra attention at year end to maximize the opportunity. Consider these year-end tax tips and planning opportunities with your financial advisor and independent tax advisors.

Account type / planning area	Year-end opportunity
TFSA	• **Money in non-registered accounts but you have available TFSA contribution room?** ◦ Move into TFSA for tax deferral. You can also gift funds to your spouse or adult children to use their TFSA contribution room. ◦ If you've already made a withdrawal during the current year, confirm your available room before contributing. Consider waiting until January 1 next year to avoid excess contributions. • **Planned need for funds next year?** ◦ Withdraw in December to regenerate room January 1 of following year.
RRSP	• **Need to reduce this year's taxable income?** ◦ Plan for contributions to reduce current year taxes. Contributions made in current year or first 60 days of following year can lower this year's income. • **Making a withdrawal from a spousal RRSP?** ◦ Review spousal contributions to avoid attribution on contributions in current year or previous two tax years. • **Turning 71?** ◦ Contribute by Dec 31 of the year you turn 71 - first 60 days of following year not allowed. • **Over 71 with unused RRSP contribution room?** ◦ Contribute to spousal RRSP after age 71 or in year of death if spouse is younger than 71.
FHSA	• **Over 18 and qualify – you or family member?** ◦ Open the account as soon as you qualify to start building contribution room. You can gift funds to spouse or adult child to make their own contribution. • **Can contribute but have low income in current year?** ◦ Carry forward the deduction to higher income years for larger tax savings.
Non-registered investments personally held	• **Investments in a loss position? – Consider tax loss selling.** ◦ Dispose underperforming investments and create loss to offset against current year capital gains. You can also carryback unused capital losses to previous three years or forward to apply against gains. Keep in mind inclusion rates for losses and gain in different years. ◦ Caution – avoid purchasing same or identical securities 30 days prior and 30 days after. ◦ Watch for processing timelines to realize the loss prior to December 31 – recommend minimum of 3 days before December 31. • **Capital gain realization / deferral?** ◦ Consider triggering capital gains to maximize use of 50% inclusion rate on first $250,000 personally. Or, defer capital gains to next year if you already exceed $250,000 threshold.
RDSP	• **Beneficiary turning 49 by end of year?** ◦ Last chance to maximize unused grants or bonds. Maximize unused carryforward amounts available. • **Beneficiary turning 59 by end of year?** ◦ Last chance for contribution and plan for converting to income. ◦ Review investments to prepare for withdrawals.

Account type / planning area	Year-end opportunity

RESP	• **Catching up on contributions?**
	  ◦ Contribute early and maximize unused carryforward grant room.
	• **Beneficiary turned 15 this year/turning 16 in upcoming year?**
	  ◦ Review contributions required to benefit from grant or bond age limits for beneficiaries aged 16 and 17.
	• **Beneficiary turning 18 in upcoming year or planning for withdrawals?**
	  ◦ Review investments to prepare for withdrawals.
	  ◦ Make Education Assistance Payments (EAP) before year-end.
	• **Stopped going to school?**
	  ◦ Take EAP within 6 months.

Donation tax credit	• Make charitable contributions **before December 31.** There is no 60-day grace period like with RRSPs. • Consider donating marketable securities in-kind to reduce gains and benefit from zero inclusion rate. • Consider setting up a donor advised fund to contribute now and allocate to charity later.
Medical expense tax credit (METC)	• Review expenses against annual limits and aggregate to maximize credit. The METC is claimed for eligible expenses during **any 12-month period ending in the current calendar year**. • Where possible, bring forward or delay medical expenses based on when more medical costs are expected and income level.
Prescribed rate loans	• Reminder that borrower must make interest payments by **January 30** (not January 31) of following year for any existing prescribed rate loans.
Investment portfolio review	• Review investments against risk tolerance and make changes to overall portfolio to generate more tax-efficient investment income. • Investment purchases - watch for year-end distribution dates on pooled investments (e.g., mutual funds).

Business owner	• **Business owner in high tax bracket and need money for family expenses?**
	  ◦ Pay a reasonable salary to family members for their work in the business.
	  ◦ Dividends to family members over 18 if there is a tax on split income exemption.
	• **Need to reduce active business income but don't need money immediately?**
	  ◦ Declare salaries and bonuses in a current year but pay out within 179 days.
	• **Company with significant passive income or high active income?**
	  ◦ Direct contributions to RRSP or consider setting up an Individual Pension Plan (IPP) or Retirement Compensation Agreement (RCA) to reduce active income.
	  ◦ Confirm timing of realizing taxable capital gains.
	• **Unrealized capital gains on corporate investments?**
	  ◦ Consider realizing to create capital dividend account (CDA) balance for tax-free dividends.
	• **Unrealized losses being triggered or tax-loss selling occurring this year?**
	  ◦ Pay out the CDA before realizing losses.
	• **Investments with unrealized gains and planned corporate donations?**
	  ◦ Create CDA by donating appreciated securities

The above is a summary of potential tax tips and planning opportunities. It does not review the intricacies of each which vary depending on your situation. Review any proposed actions with your financial advisor and in conjunction with your independent tax advisors prior to implementing.