

10 Tax Strategies That Every Investor Should Know

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- 1. All Income Is Not Created Equally
- 2. Location, Location, Location
- Fun with Funds and Pools
- 4. You ROC!
- 5. Capturing Capital Gains and Losses
- 6. Income Splitting for the Whole Family
- 7. TF_A
- 8. Really, Really, Superb Pointers for RRSPs
- 9. RRIF Riffs
- 10. Gimme Shelter



1. All Income Is Not Created Equally

2014 Marginal Tax Rates - Ontario	Cash Retained		
	>\$220,000	per \$1,000	
Employment	%	\$	
Interest	%	\$	
Foreign Dividends	%	\$	
Eligible Canadian Dividends	%	\$	
Capital Gain	%	\$	



2. Location, Location

- As in real estate, Location really matters in tax planning
- Taxable account vs. RRSP/RRIF vs. TFSA
- Call in the movers!



3. Fun with Funds and Pools

- a. Mutual fund taxation: distributions vs. dispositions
- b. Avoiding Double Taxation

EXAMPLE:

ORIGINAL INVESTMENT IN GROWTH FUND	\$10,000
CUMULATIVE RE-INVESTED DIVIDEND INCOME	\$2,000
CUMULATIVE RE-INVESTED CAPITAL GAINS	\$2,000
PROCEEDS ON COMPLETE REDEMPTION	\$20,000

CAPITAL GAIN =

PROCEEDS	\$
LESS: COST FOR TAX	\$
CAPITAL GAIN	\$



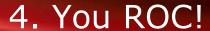
3. Fun with Funds and Pools

Beware of the built-in tax bite!

EXAMPLE:

ORIGINAL COST OF STOCK IN THE FUND	\$
VALUE OF STOCK WHEN CLIENT INVESTED	\$
PRICE OF STOCK WHEN SOLD BY FUND	\$
RESULTS:	
ECONOMIC BENEFIT TO INVESTOR	\$
INVESTOR'S TAX LIABILITY BASED ON	\$

Trust structure vs. corporate structure





- 1. * What is Return of Capital (ROC)?
- 2. * REITs -- Special mutual fund structures -- Structured notes





EXAMPLE: \$15,000 INVESTMENT IN REIT, \$1,000 ANNUAL INCOME ONLY 50% OF INCOME IS TAXED IN YEAR OF RECEIPT (THE REST IS ROC)

YEAR 1: INCOME

> TAX @49.53% ACB @ Y/E

YEAR 2: INCOME

\$ \$ \$ TAX @ 49.53%

ACB @ Y/E

YEAR 3: REIT SOLD FOR \$15,000 ON FIRST DAY OF THE YEAR

PROCEEDS \$15,000

ACB \$ CAPITAL GAIN TAX @ 24.77%

TOTAL PRE-TAX RETURN \$

TAX PAID

TOTAL AFTER-TAX RETURN

COMPARE TO ORDINARY INCOME

TAX PAID @49.53%

AFTER-TAX RETURN

\$ ADVANTAGE ROC



5. Capturing Capital Gains and Losses

- What year does your gain or loss fall into? (the settlement rules)
- Superficial losses / artificial avoidance of superficial losses
- Capital loss carry-back and carry-forward rules
- How to avoid capital gains tax by contributing appreciated securities to charities and foundations
- Superficial gains and the "ACB Bump"



6. Income Splitting for the Whole Family

- Know the Attribution Rules
- Is there tax on gifts that you give or receive?
- Minor children/grandchildren vs. adult children/grandchildren vs. spouse
- Splitting pensions and retirement income
- Spousal loans
- Case study



- TF_A: what letter is missing?
- Which contribution should you make first, the RRSP or the TF_A?
- Tax-smartest investments for your TF_A
- Contributions "in kind"



8. Really, Really, Superb Pointers for RRSPs

- Spousal RRSP contributions: do they still matter when you can split retirement incomes?
- How to squeeze in one extra RRSP contribution
- Contributions "in kind"
- Contributing without deducting
- Deducting without contributing
- The \$2,000 RRSP over-contribution





- The \$2,000 pension income tax credit; missed by too many
- RRIF withdrawal strategies it may also be about location, location
- Other early RRIF withdrawal strategies



10. Gimme Shelter

Resource industry flow-through tax deductions

EXAMPLE:

COST OF FLOW-THROUGH SHARES	\$10,000
CURRENT TAX DEDUCTION	\$10,000
TAX SAVINGS AT 49.53%	<u>\$4,953</u>
NET COST TO INVESTOR	<u>\$5,047</u>
ASSUME SALE OF SHARES AT \$10,000: PROCEEDS OF DISPOSITION	\$10,000
ADJUSTED COST BASE (ACB)	\$
CAPITAL GAIN	\$
TAX ON CAPITAL GAIN @24.77%	\$
AFTER-TAX PROCEEDS	\$
AFTER-TAX PROFIT PERCENTAGE OF AFTER-TAX PROFIT	\$
OVER AFTER-TAX PROFIT	%



10. Gimme Shelter

- How to convert your non-deductible debts into tax-deductible debts
- Should I incorporate my investment portfolio?
- My corporation: my other "RRSP"
- Tax-efficient alternatives for corporate investment portfolios



Questions?

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