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2013 Personal Tax Presentation | February 12, 2013

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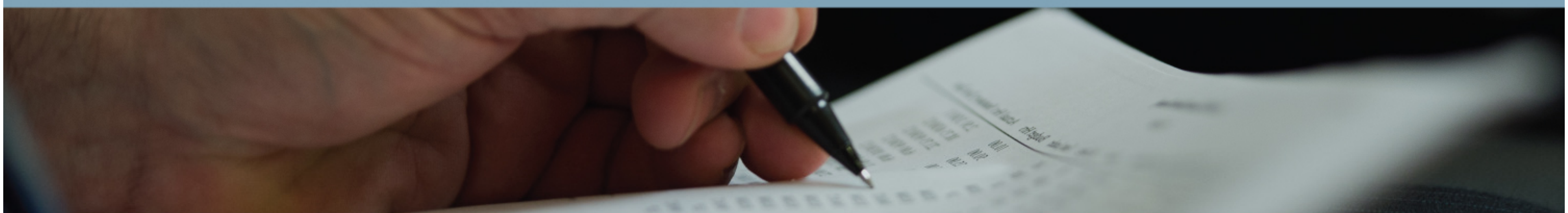

2013 Personal Income Tax Update

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The enclosed presentation is for **informational purposes only** and does not constitute a tax opinion. All information and specific circumstances should be discussed with qualified tax advisor.

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Agenda

1. Changes in 2013
2. Year-end Planning
3. Tax Preparation Tips
4. Retirement Saving Plans
5. Questions

Changes in 2013

CPP Contributions

If you are 60 to 70 years of age and work while receiving CPP retirement benefit, you must make contributions to CPP until you turn 65. If you are over 65 years of age, but under 70, you can elect to stop contributing to CPP.

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Changes in 2013

Family Caregiver Amount

If you have a dependent who is:

- An individual who is 18 years of age or older and dependent on you because of an impairment in physical or mental functions; or
- A child under the age of 18, with an impairment in physical or mental functions, the impairment must be prolonged and indefinite and the child must be dependent on you for assistance in attending to personal needs and care when compared to children of the same age,

then you could be eligible for an additional amount of $2,000 of certain non-refundable tax credits. You will require a signed statement from a medical doctor showing when the impairment began and what the duration of the impairment is expected to be.

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Year-end Tax Planning

Donations:

- Deadline is December 31, 2012 to get a tax credit for 2012
- Tax rules set up to provide incentives to give to charity - First $200 @ 21%, after 43.70%
- Advantageous to gift shares of public companies with unrealized capital gain rather than cash
- Political contributions have additional credits

Tax Loss Selling

- Trigger any unrealized capital gains before December 31 outside of RRSP/TFSA
- Offset with any capital gains in current and prior three years
- Watch for stop loss rules – cannot buy back same share within 30 day period

Year-end Tax Planning

Disability credits

- If have severe and prolonged impairment for physical or mental functions consider claiming disability tax credit.
- If you have a child with a disability set up a Registered Disability Savings Plan.
    - Similar to RESP plan

Interest deduction

- Repay non-deductible debt over deductible debt.
- May be able to convert non-deductible debt to being deductible

Tax Preparation Tips

Pension Splitting

- Pensioners have the ability to split pension income with your spouse to reduce your overall tax bill.
- The benefits are the ability to avoid claw back of OAS, use pension tax credit of $2,000 for each individual and make use of lower marginal tax rates

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Tax Preparation Tips

Claim all available personal tax credits

- Claim on higher-income spouse when available
- Age amount
- Pension Income amount
- Disability amount
- Transfers from spouse
- Public transit
- Medical expenses
    - For yourself and spouse and children – advantageous to combine on one return
    - In excess of 3% of Net Income or $2,109

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Savings Plans

1. **Registered Retirement Savings Plan - RRSP**
2. **Tax Free Savings Account - TFSA**
3. **Registered Education Savings Plan - RESP**

What are differences between the plans? When to use each? What is the right investments to put into the plans?

Savings Plans - RRSP

- Contribute with pre-tax dollars and receive a tax deduction
- When money is taken out it added to taxable income for that year
- Do not pay tax on the growth inside of RRSP
- Withdrawals taxed as regular income from RRSP (no dividend credit or capital gain)

RRSP - continued

In the year that you turn 71 you must wind up your RRSP. Alternatives:

1) Withdraw funds from RRSP

- Simplest, rarely the best option

2 Convert to RRIF

- Invest in securities but have minimum amount to withdrawal per year

3) Purchase Annuity

- Provide steady income

RRSP - Continued

- Spousal RRSP to have different risk profile in investments and future splitting of income
- Defer RRSP deduction to maximize benefit

Don’t make RRSP contribution if in low tax bracket – may be of marginal use

RRSP - Continued

Considerations:

- If your marginal tax rate at the time of contribution is less than the rate when you will withdraw
- Early withdrawal from RRSP has withholding tax

Retiring allowances

- Payment in recognition of long service or loss of employment can be transferred into an RRSP

Savings Plans – TFSA

- Contribute after tax dollars. Investment grows tax free
- Previously limit of $5,000 per year, now it is $5,500.
- Can remove investment out of TFSA without incurring any tax. The withdrawal creates new contribution room.

Considerations:

- What to invest in a TFSA
- Your marginal tax rate now and when you will withdrawal

Savings Plans – RESP

- RESP a savings plan in after tax dollars are put in a tax free investment. The money earned will be taxed on the child who takes it out for education.
- Contributions can be made by parents, grandparents and others
- Contributions are eligible for Canada Education Savings Grant (CESG). Grant is based on amount of contribution and family income. Typically is 20% of contribution.
- Lifetime limit of $50,000 per child. Only used for education.

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Questions?

Thank you.

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