Investors Group

2017 year-end planning **checklist**

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

Use this checklist to **identify strategies** that could help **reduce** your **taxes** this year and put your **best foot forward** in the year to come.

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 then 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?

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

- Use 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 2019 when you file your 2018 tax return.
- Transfer investments that have dropped in value to a minor child before year-end. The capital loss can offset capital gains this year and in the three years prior. Plus, you can pass the tax liability for any future growth of the investment to the minor child as attribution rules do not apply to capital gains triggered by minors.

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 than the maximum permitted in prior years to your RSP, 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 Investors Group 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 having the attribution rules apply 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 the deceased's final tax return.

Imminent retirement

As retirement years approach, you will want to make sure you will have what you need for the lifestyle you want to maintain. Meeting with your Investors Group Consultant to review all of your retirement income sources and help identify your expected expenses will give you peace of mind as you transition to 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 what your options are.

If you will reach age 60 or 65 this year, have you applied for CPP or OAS?

☐ Yes ☐ No

If you reach age 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 (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 years of age you will receive a 0.7% enhancement for every month you wait (42% enhancement if you wait until age 70).

If you reach age 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 (36% enhancement if you wait until 70 years of age).

Retirement

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

☐ Yes ☐ No

Consider contacting your Investors Group 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 pension income on a tax-free basis. Not sure if you qualify? Contact your Investors Group Consultant to find out.

Did or will you reach age 71 this year?

☐ Yes ☐ No

If you turn 71 this year and earned income, consider making an RSP over contribution in December. This strategy means that you will be over-contributed for one month and subject to a 1% per month penalty tax; however, you will also be entitled to an RSP deduction that will provide tax savings that will far outweigh the penalty tax.

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 is exempt from tax.

Are you a first-time donor?

☐ Yes ☐ No

Enhanced charitable tax credits are available up to the end of 2017 through a First-Time Donors Super Credit if the credit has not been claimed in any year since 2007 by you or your spouse.

Tax-free savings accounts (TFSA)

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 taken from a TFSA are tax-free. The contribution limit this year is $5,500. 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 $52,000. Talk to your Investors Group Consultant to calculate your unused contribution limit today.

Registered education savings plans (RESP)

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 eligibility factors must be satisfied to remain grant eligible to the end of the year they turn 17 and to maximize your CESG. Speak with your Investors Group Consultant to help you get as much grant as possible.

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

☐ Yes ☐ No

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

Registered disability savings plans (RDSP)

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 carry forward rules. These rules entitle RDSP beneficiaries to previously unclaimed CDSGs and CDSBs for up to ten years.

Home buyer's plans (HBP)

Are you planning an HBP withdrawal soon?

☐ Yes ☐ No

Consider these HBP rules when deciding when to withdraw via a 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 $25,000), and extend the time before you have to begin repaying the funds.

Have you made a 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 buyer's tax credit (HBTC)?

☐ Yes ☐ No

This tax credit allows qualified home buyers to claim a tax credit in the amount of $5,000. Qualifications for the HBTC are the same as that of the home buyer's plan.

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.

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 the financial and tax position of both yourself and your corporation. Consult with your corporate accountant to determine your optimal compensation mix.

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.

Contact your Investors Group Consultant to discuss these strategies and assist with implementing those that are best for suited for your specific situation.

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