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Top 10 Year-End Tax Planning Strategies for Investors

As we approach the end of 2014, it is the time to review your tax-saving opportunities before December 31. The following information may assist you in the review process. Please consult a qualified tax advisor or contact me before you implement any tax planning strategies mentioned in this newsletter.

Capital Losses
If you have realized capital gains in 2014, or any of the preceding three years, you may be able to offset it with eligible capital losses incurred prior to year-end. The superficial loss rules may deny the claim.

Disposition of Shares or Mutual Funds
If you are disposing of Canadian shares or mutual funds, December 23 is likely the last day that a sale will be considered a 2014 transaction.

Donating Publicly Traded Securities
The donation of shares, bonds and mutual funds to a qualifying charity is exempt from capital gains tax. You must donate the security (not cash from the proceeds of selling the security). The capital gains exemption will be limited in the case of a donation of flow-through shares acquired after March 21, 2014.

Estate Planning
If you haven't updated your will and life insurance during the year, it is the time to review the taxes your estate will be burdened with upon your death.

Trust Income Allocations
Income not allocated from a trust to an income beneficiary is taxed at the highest marginal personal tax rate (43.7%/45.8% in B.C.) in the trust. In order to allocate the income from a trust to a beneficiary in 2014, the income must be paid or payable to the beneficiary on or before December 31st.

Year-end Planning for Investments
As a planning point, you may want to delay certain investments outside of your RRSP until January 2015, such as mutual funds and GIC's.

RESP Contributions
December 31, 2014 is the last day you can contribute to an RESP and receive a Canada Education Savings Grant (CESG) for 2014. CESG grants are calculated at 20% of your RESP contributions, subject to an annual limit of $ 500 per child under the age of 18. Additional age restrictions apply for RESP contributions and withdrawals.

Interest Deductibility
In order to deduct loan interest when computing your income, the loan must have been borrowed for the purpose of earning income from a business or property. If you are currently paying interest that is not deductible (for example, on a home mortgage loan), contact us to discuss the possibility of reorganizing your affairs to make the interest deductible.

Loan to Spouse
A prescribed rate loan is an effective income-splitting strategy. The goal is to take advantage of a lower marginal tax rate by shifting investment income from the higher income earning spouse to the lower income earning spouse.

Establishing a Family Trust
If you have investment in a loss position and expect them to appreciate in value in the future and you have children or grandchildren who have little or no income, you might consider establishing a family trust in order to income split with your family.