

Tax Issues for Seniors

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Make the most of your Income and Government Benefits

The amount of tax you pay and the government benefits you receive, such as Old Age Security (OAS) and the Age and Medical Expenses Tax Credits, are often based on the amount of income you report on line 234 of your tax return. Different types of income contributing to the amount on line 234 are “included” at different rates. For example, income from registered investments is included at 100%, that is, it is fully taxable. However, non-registered income is included at different rates depending on the investment source. By re-aligning your investment portfolio to generate income in the most tax-efficient manner, you may be able to maximize your after-tax income and government benefits. Scheduled withdrawals, often referred to as a Systematic Withdrawal Plan (SWP) from non-registered investment accounts and prescribed annuities are just two examples of ways to generate tax-efficient income.

Pension Income Tax Credit

You can structure your retirement income to ensure you take advantage of the \$2,000.00 Pension Tax Credit.

The most common income sources that qualify for the pension income tax credit are:

1. Pension income payments from a registered pension plan (RPP)
2. Annuity payments from a registered retirement savings plan (RRSP)
3. Withdrawals from a RRIF if over 65

Some common sources of income that do **not** qualify for the pension income tax credit are:

1. Capital gains, dividends, and interest from investments, such as mutual funds segregated funds and GICs
2. Old Age Security (OAS), Canada Pension Plan (CPP)
3. Lump-sum withdrawals from a pension plan or RRSP

Help with Tax Preparation!

Janet Baccarani, is a Chartered Accountant, Senior Financial Advisor and Certified Financial Planner with Manulife Securities Incorporated and Manulife Securities Insurance Inc. She will be available at Heritage Glen to assist residents with their tax preparation for the next tax season. Her reasonable rates are determined by the complexity of the tax return. Watch for further announcements regarding her scheduled visits. If you have questions about your taxes, leave your name with Kerri Sharp at the Heritage Glen office and Janet will be happy to contact you.

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