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## Tax Savings for Seniors

by Janet Baccarani, C.A., MBA

### Pension Splitting Between Spouses

Up to 50% of pension income can be split between spouses. How do you determine how much to split and have taxed in a spouse's name? If the spouses are in different tax brackets, then try to bring them into the same tax bracket if possible. If one spouse has no pension income, then take advantage of the \$2000 pension tax credit, even if that spouse is in a higher tax bracket. There are many other considerations when splitting pension income, so it's a good idea to consult a tax professional for complicated returns.

### Decrease Taxes on Investments

For tax purposes, it's recommended to hold interest bearing investments in your RRSP or RRIF, and equities can be held in a non-registered account. Interest is taxed at your top tax rate, while dividends and capital gains are taxed less. Any GICs or interest bearing bonds should be held inside your RRSP or RRIF where the income is not taxed. Equities can be structured so they do not incur taxes outside a registered plan. Starting in 2009, you can hold interest bearing securities in the new Tax Free Savings Account. If your investment holdings are not set up this way, you can probably make adjustments to switch the holdings around.

### Pension Tax Credit

For people over 65 years of age, pension income can be created by converting part of a Registered Retirement Savings Plan (RRSP) into a Registered Retirement Income Fund (RRIF). You can withdraw \$2000 from a RRIF each year, tax-free. Couples can withdraw up to \$4000 tax-free by splitting pension income between them, even if one is not yet 65. Each one gets the \$2000 tax credit. You are not required to convert your RRSP to a RRIF until age 71, but by converting part of it, you will be

able to withdraw money tax-free each year, starting at age 65.

### Help with Tax Preparation!

Janet Baccarani, a Chartered Accountant, 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. Janet's scheduled visits will begin in January, so watch for further announcements. 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.