BMO Nesbitt Burns

March 2023

Financial Insights

from Quinn+Cardy Wealth Management
of BMO Nesbitt Burns

Here Again: Personal Income Tax Season

It is personal income tax season, a time when many of us are focused on keeping as much money from the hands of the government as possible. While there are a few things that can be done to reduce your 2022 tax bill, now may be a good time to also consider simple actions to reduce your 2023 tax bill. Here are some ideas:

Take advantage of all the deductions and credits available — Tax law changes each year. If you prepare your own tax returns, be aware of these changes. You may also consider the advice of an expert to assist with your tax return to ensure that you are taking full advantage of the credits and deductions available to you. Encourage younger folks to file a tax return if they have generated income, even if it is below the basic personal exemption, so that they can generate Registered Retirement Savings Plan (RRSP) contribution room.

Maximize tax-advantaged accounts — Have you fully contributed to your RRSP and Tax-Free Savings Account (TFSA)? If not, consider setting up a monthly contribution plan for your RRSP and TFSA. Filing Canada Revenue Agency form T1213 *Request to Reduce Tax Deductions at Source* may decrease withholding taxes on your paycheques as a result of your RRSP contribution. The TFSA can play an integral part of any investor's retirement plan. A strategy should be in place to best take advantage of the opportunity for tax-free, compounded growth.

Optimize asset location — The location in which you hold certain types of assets can make a difference. Different types of income — interest, dividends, capital gains — may be taxed differently depending on the type of account from which income is generated. For example, if you hold foreign investments that pay dividends in a non-registered account, you may receive a foreign tax credit for the amount of foreign taxes withheld. If the same asset is held in a TFSA, no foreign tax credit is

available. By having a comprehensive view of your assets, there may be opportunities to optimize asset location across different accounts while maintaining a balanced allocation.

Consider income-splitting opportunities — If you have a lower-income spouse/common-law partner (CLP) or children, there are still a variety of income-splitting opportunities available to you. If you expect your spouse to have significantly less income than you in retirement, contribute to a spousal RRSP for the low-income spouse/CLP. For retirees, consider splitting Canada Pension Plan benefits or eligible pension income. There may be an opportunity to split investment income by lending funds through a prescribed rate loan to a lower-income spouse/CLP or even to a family trust that includes family members, such as children or grandchildren, as beneficiaries.

Seek Assistance

These are just a handful of ideas that may help to minimize taxes. As always, please seek the advice of a professional tax advisor as it relates to your personal situation. Saving tax is an all-year exercise — consider taking action today!

Quinn+Cardy Wealth Management
of BMO Nesbitt Burns

1 First Canadian Place
38th Floor, P.O. Box 150
Toronto, Ontario M5X 1H3

Toll Free: 1-800-263-2286
Fax: 416-359-5346
www.quinncardy.com

BMO Private Wealth

Quinn+Cardy Wealth Management
BMO Nesbitt Burns