RBC Dominion Securities Inc.

The Broxterman Bulletin

YOUR QUARTERLY FINANCIAL PLANNING NEWSLETTER

SPRING 2013

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Welcome & Thank You

A warm welcome to the clients who have recently joined us and thank you to the clients who mentioned us.

We also want to thank our existing clients for their continued loyalty to us.

Tax Preparation Reminders for Your 2012 Personal Tax Return

The deadline for filing your 2012 income tax return with the Canada Revenue Agency (CRA) is April 30, 2013. However, if you and/or your spouse (or common-law partner) are self-employed, both of you will have until June 17, 2013, to file your tax return. Regardless of the filing deadline, all taxes owed for 2012 must be paid on or before April 30, 2013, even if you are self-employed. If you miss any of these deadlines, you could be subject to punitive interest and penalty charges.

The following items are important considerations you may wish to keep in mind when preparing your 2012 personal Canadian income tax return.

File Your Return on Time

- In order to avoid paying a late-filing penalty, it is important to comply with deadlines, even if you are unable to pay the taxes you owe. The late-filing penalty is a minimum of 5% of the balance owing on your return, plus a further penalty of 1% of the unpaid tax, multiplied by the number of full months the return is not filed (to a maximum of 12 months).

In addition, compound daily interest will be charged, starting May 1, 2013, on any unpaid amounts (including penalties) until all taxes owing are paid. The prescribed interest rate on amounts owing to the CRA, which can change quarterly, is used. The rate for the first calendar quarter of 2013 is 5%. There will be no penalties for late filing if you are entitled to a refund or if you owe no tax.

Capital Gains and Losses

- If you donated publicly-traded securities in-kind to a registered charity in the year and as a result, realized capital gains on the disposition of the securities, the capital gain is eliminated for tax purposes. Alternatively, if you realize a loss on the donation of a publicly-traded security, you can use this loss to reduce your realized capital gains in order to reduce your taxes payable. Report the total of all gifts of publicly-traded securities you made on the CRA Form T1170 – Capital Gains on Gifts of Certain Capital Property.
- If, after netting your capital gains and losses realized in the year, you have excess capital losses, consider completing CRA Form T1A – Request for Loss Carryback to carry back the remaining capital losses to offset any capital gains that you have reported in any of the previous three years. By doing so, you may be able to recoup some of the taxes you paid in the previous years. This form should be included with your current year tax return. The CRA will use this form to reassess your prior year's return(s) and issue a refund if you are entitled to one. This means that in addition to the Notice of Assessment you will receive for 2012, you will also receive a Notice(s) of Reassessment for the previous tax year(s) that you applied your capital losses to.
- If you have a taxable capital gain in the year, determine whether you have carried forward any net capital losses from previous years. You may be able to apply these losses against your current year capital gains to reduce your taxes payable.
- If you had any securities in a non-registered account that ceased to have value during the year, you should consult a qualified tax advisor to determine whether they are considered "worthless" for tax purposes. If so, you may be eligible to claim a capital loss. For more information, ask your RBC advisor for a copy of the article titled "Worthless Securities."
- If you sold securities in the year, ensure that the adjusted cost base (ACB) you report on your return is accurate. Inaccurate ACBs may cause you to owe extra tax. For more information regarding calculation of ACB, please ask your RBC advisor for a copy of the article titled "Capital Gains and Losses – Calculating your ACB."

Pension Income Splitting

- Consider splitting up to 50% of your eligible pension income with your spouse (or common-law partner) to lower your overall family tax bill. The pension income splitting rules may enable your family to significantly reduce its total tax bill by allowing certain types of income to be reallocated to a lower income spouse (or common-law partner) so that a portion of the income is taxed in their hands at a lower rate.
- If you are under 65 years of age in the year, you are generally limited to splitting life annuity payments originating from a pension plan. If you are at least 65 years of age in the year, in addition to life annuity payments from a pension plan, you can split RRIF/LIF/PRIF/RLIF income.
- To split the qualifying income, there is nothing that needs to be done at the time that the income is received. In fact, the decision about how much income to reallocate can be delayed until it is time to prepare your income tax return for the year in which the income was received. In order to split income, the CRA Form T1032 — Joint Election to Split Pension Income has to be signed and copies of the forms should be attached to both your and your spouse's (or common-law partner's) income tax returns.
- By reallocating family income, not only will you be likely to reduce the overall family tax bill, you may also avoid having your Old Age Security (OAS) or other income-tested government benefits reduced.

Tax Credits and Deduction

- To maximize tax savings, you and your spouse (or common-law partner) can combine charitable donations and claim them on the tax return of the higher income individual.
- Another way you and your spouse (or common-law partner) can maximize tax savings is to claim the family's medical expenses on the tax return of the spouse or common-law partner with the lower income, assuming that the lower income spouse is paying at least some taxes.

- If you or your dependants are suffering from a prolonged or severe mental or physical impairment, making day-to-day living difficult, you may be eligible to claim the Disability Tax Credit. You will need to complete the CRA Form T2201 – Disability Tax Credit Certificate with your doctor and submit it with your tax return. You should confirm with your qualified tax advisor if you qualify.
- If you have a child or grandchild who is attending a qualifying educational institution they may be eligible for tuition, education, and textbook credits. If your child or grandchild has little or no income and is therefore unable to use these credits, up to $5,000 of the credits may be transferrable to you.
- Speak to a qualified tax advisor to ensure you are claiming all the credits and deductions that you are entitled to. Missed credits and deductions could result in missed opportunities for reducing your tax bill.

While there are many tax planning strategies that can be implemented during the year, this article highlights items that you should be aware of when preparing your tax return. For more information about the strategies mentioned in this article, talk to your RBC advisor. Talk to your qualified tax advisor for help in preparing your income tax return.

Please contact us for more information about the topics discussed in this article.

Upcoming Events

Healthy Body, Mind and Finances – An Exciting Women's Event

This women's-only event will feature feel-good advice from nutritionist Jennifer Broxterman, inspirational and thought provoking messages from personal life coach Daryl Wood and a presentation from June Audette, District Vice President for RBC Global Asset Management and an advocate for women understanding the "ins and outs" of investing and investor behaviour.

Wednesday May 1st, 2013 | 5:00 to 8:30 p.m.
Location to be determined.
Food and beverages will be provided.

Current Income Ideas

Join us to learn more about earning income within your investment portfolio, featuring David Burrows of Barometer Capital Management.

Tuesday, May 28, 2013 | 5:00 p.m. - 6:30 p.m.
RBC Dominion Securities
95 King St. South - 3rd Floor, Waterloo, ON N2J 5A2
Food and beverages will be provided.

Daylight Savings

Remember to change your clocks ahead at 2 a.m. on March 10, 2013.

Introducing the Newest Member of the Broxterman Team

We are extremely excited to welcome our new Administrative Assistant, Carolyn Laurie, to the team! Carolyn has been with RBC since 1991, working in various bank branches in areas including investments, credit and administration. She is committed to providing exceptional customer service and is the team's first point of contact for all our clients' administrative and account inquires. Carolyn and her husband Michael live in Kitchener with their two daughters. She enjoys travelling, skiing, reading and sewing. Welcome Carolyn!

Contact Carolyn at 519-747-3403 or carolyn.laurie@rbc.com.

Personal Touch

This is Tony playing goal in a hockey game against our RBC bank partners.

Here is Mike coaching his son's hockey team on Saturday mornings.

This is Carolyn and her family skiing in Ellicottville.

Shelley is looking forward to the start of rowing season on the Grand River. This is a picture of where Shelley spends her summer days.

Thank you for your ongoing loyalty to the Broxterman Team of RBC Dominion Securities. We would be pleased to provide a complimentary wealth management assessment or financial plan to any friend, family member or colleague you refer to us.