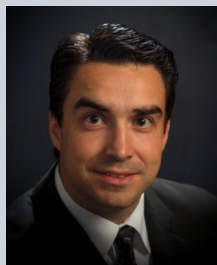


Jason Baba Wealth Management Group

Newsletter



Views and opinions
for the clients and friends of

Jason Baba
Portfolio Manager & Vice President
403-299-7094
jason.baba@rbc.com
www.jasonbaba.com

Andrea Strass
Associate
403-266-9610
andrea.strass@rbc.com

Ron Roberts
Associate Advisor
403-266-9660
ron.roberts@rbc.com



9 Tax Tips

No one likes to pay more taxes than they need to. The following Nine Tax Tips are just some of the strategies which can help you to minimize the impact of taxes on your retirement savings.

1) Maximize tax-deferred growth

Your registered plans offer some key tax advantages, including tax-deferred compound growth. The longer you leave your investments in your registered plans, the more you benefit from this. If you have a Registered Retirement Savings Plan (RRSP), contribute the maximum each year. Also try to contribute earlier in the year, so your assets have more time to grow on a tax deferred basis. Remember – all your unused RRSP contribution room carries forward.

2) Delay converting your RRSP for more tax-deferred growth

If it makes sense in your situation, wait until the deadline before converting your RRSP into a Registered Retirement Income Fund (RRIF) – December 31 of the year in which you turn 71.

3) Maximize the tax deductions

As you probably know, you can claim any contribution you make to your RRSP up to your contribution limit as a tax deduction on your annual income tax return, which can result in

a tax refund. But you don't have to claim a deduction in the same year you make a contribution. If you expect to have higher taxable income in a future year, it may make sense to wait to claim the deduction, as you will receive greater tax savings.

4) Withdraw retirement funds in a tax-efficient order

Generally, if you're in a high tax bracket, it makes sense to withdraw assets attracting the least tax first. If your spouse has a significantly lower tax rate, consider withdrawing their taxable assets before yours (and your non-taxable assets before your spouse's).

5) Bolster your RRSP/RRIF with a TFSA

Introduced in 2009, the TFSA enables you to contribute \$5,000 annually and earn tax-free investment income. You can also make tax-free withdrawals, for any reason, and the amount is added back to your available contribution room the following year. Any Canadian 18+ receives contribution room even if they have no earned income, and, if unused, it accumulates (starting from 2009).

6) Split income to reduce combined taxes

Because of Canada's progressive tax rates, the higher your income, the higher your tax rate. As a result, a couple earning similar retirement incomes generally pays less tax than a couple with unequal retirement incomes (assuming both couples earn the same combined income). Fortunately, starting at age 65, you can now split "eligible pension income" (such as RRIF income) up to 50/50 with your spouse to even out your retirement incomes. You simply report the split amount as your spouse's on both of your tax returns – it's that easy.

7) Super-size your retirement benefits

If you're a higher-earning executive, you may face a "pension gap" due to the hard limit on pension/RRSP contributions (\$22,000 for the 2010 tax year). To fill this gap, your employer can create a Retirement Compensation Arrangement (RCA) to top-up your retirement benefits above and beyond the normal hard limits. Another special retirement plan is the Individual Pension Plan (IPP). The IPP is ideal for incorporated professionals as well as business owner/managers. Generally, if you're aged 40+, earn \$120,000 or more annually, you can contribute more to an IPP than you can to a regular RRSP – plus the contributions are tax-deductible to your corporation.

8) Allocate investments tax-efficiently between your registered and non-registered accounts

Allocate your investments between your registered and non-registered accounts in a tax-efficient manner. In a taxable account, different types of investment income are taxed in different ways. Interest income is 100% taxable at your marginal rate. On the other hand, dividend income paid by a Canadian corporation receives a Dividend Tax Credit and only half of any capital gain is taxable at your marginal rate. To reduce taxes, allocate more of your fully taxable interest-bearing investments to your RRSP/RRIF, where they are sheltered from taxes. Then, allocate more of your Canadian dividend-paying stocks to your taxable account, as they are already tax-efficient investments.

9) Look at Tax-Effective Methods to Pass on Your Wealth

It is very likely that your estate will have a significant tax liability. If you want to minimize these taxes, you have a number of alternatives, including:

- a) Gifting. By simply give your assets away to your heirs prior to death. However, this may trigger a tax liability for you at the time of making the gift.
- b) Family Trusts. Also known as living trusts, family trusts allow you to transfer ownership of assets out of your hands and enable your heirs to benefit from them while you retain control. This also has the potential for creating a tax liability for you at the time of transferring assets into the trust.
- c) Joint Tenancy with Right of Survivorship. "Joint tenancy" enables two or more people to own an asset together (except in Quebec). When one person dies, their ownership passes immediately to the others and does not form part of their estate. When assets are transferred in this way between spouses, there are no immediate tax implications.



We are able to offer you access to our in house RBC Wealth Management team of lawyers, accountants and financial planning professionals. If you are interested in reviewing your estate of financial plan, please call us to book an appointment.



This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report

is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. This commentary is based on information that is believed to be accurate at the time of writing, and is subject to change. All opinions and estimates contained in this report constitute RBC Dominion Securities Inc.'s judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Interest rates, market conditions and other investment factors are subject to change. Past performance may not be repeated. The information provided is intended only to illustrate certain historical returns and is not intended to reflect future values or returns. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. ©Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion Securities is a registered trademark of Royal Bank of Canada. Used under licence. ©Copyright 2011. All rights reserved.