

# Never Think NEVER

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## Why wait until the end of the year? Plan your tax strategy now!

*Do you know about all of the strategies for reducing your tax burden in 2009? With just a few months left until the end of the year, we'd like to introduce you to some different ways to reduce the amount of income tax you'll have to pay. Now's the perfect time to start planning!*

Developing a variety of tax strategies during the year is always a good idea, but many people still wait until year-end to start thinking about their taxes. The sooner you set up a plan with your adviser, the faster you'll be able to build your personal wealth.

A tax strategy consists of three basic principles designed to help you make the most of the opportunities available—either by maximizing your tax deductions and credits, balancing your income over the entire year, or dividing your income among family members.

Let's take a closer look at these strategies.

### Registered Retirement Savings Plan (RRSP)

To even out your income over time and benefit from a deduction to your taxable income, it's always smart to maximize your RRSP contribution room. For the past two years, the government has authorized RRSP contributions until age 71. To maximize your contribution, register to make regular installments. This way, you'll avoid the big rush at the end of the year. So go on, get started!

### And My Spouse's RRSP, Too!

Despite the new measure in effect since 2007 that makes it possible to split some retirement income, a contribution to your spouse's RRSP is still a good way to divide your total income when one spouse is earning significant amounts that are not eligible for splitting. If you contribute to your spouse's RRSP, you should do so during the calendar year rather than waiting until the first two months of the following year, especially if you are planning to make short-term withdrawals. This way you'll be in accordance with the three-calendar-year rule during which contributions to your spouse's RRSP are prohibited. Come see us for more information.

### Contribute Any Lump Sums Received to Your RRSP

If you receive a large amount of money such as a bonus or vacation pay, deposit it directly into your RRSP. If it's from a retiring allowance, you can even have it deposited directly into your RRSP without having any tax deducted at the source—as long as you can prove to your employer that you have sufficient RRSP contribution room.<sup>1</sup> For optimal splitting of your retirement income, you can also plan to contribute this lump sum.

### Your Life Income Fund and You

Subject to certain conditions, if you are under 71 years of age you can transfer funds to your RRSP in order to gain increased flexibility in the management of your withdrawals and to better meet your needs. If you are older than 71 and wish to withdraw the smallest possible amount, ask for the minimum withdrawal amount to be calculated according to the age of whoever is younger, you or your spouse.

### It's Hard to Top a 50% Provincial Tax Credit!

The benefits of Capital régional et coopératif Desjardins\*, a security exclusive to Desjardins, are twofold! In addition to qualifying for a tax credit on the amount invested (to a maximum of \$2,500), it supports Quebec businesses and jobs. Plan to contribute before the year is out!

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## Tax-Free Savings Account (TFSA)

This new registered plan enables you to shelter your investment income from taxes. You can contribute up to \$5,000 per year with this plan. This type of account exceeds the basic requirements for a tax strategy since you will never be required to pay taxes on the income earned.<sup>2</sup>

## Taxation and Investment Income

It's possible to take advantage of tax benefits linked to certain types of investment income! Outside of registered plans, it's important to know that the net profit made on an investment varies according to the type of income generated and the investor's marginal tax rate.

Here is an example based on the rates for 2009:

NET PROFIT AVAILABLE AFTER TAXES (According to the type of a return of \$1,000)			
Investor's Taxable Income	Interest Income	Dividend Income*	Capital Gain Income
\$20,000	\$715	\$941	\$857
\$40,000	\$675	\$883	\$837
\$60,000	\$616	\$846	\$808
\$100,000	\$543	\$739	\$771
\$150,000	\$518	\$703	\$759

\* Eligible dividends paid by public corporations. Contributions to Fond des services de santé du Québec, which are calculated according to the total earnings subject to tax, are excluded.

We suggest putting investments that generate interest income in registered plans such as RRSPs or TFSAs and holding investments that generate dividends or capital gains in unregistered accounts.

## Reducing Your Gains or Deferring Your Capital Losses

- If you report a net capital loss in 2009, you can reclaim the taxes paid on capital gains declared over the three preceding years or deduct future gains from the loss.
- If assets sold at a profit were declared on your 1994 income tax return, their value was crystallized, which minimizes the taxable capital gain.

- If the value of your vacation property has exceeded that of your home, you can designate it as your principal residence at the time of sale so that the capital gain acquired will be exempt from taxes.

## Expenses That Qualify for Tax Credits? You Bet!

- Donations made to charitable institutions are eligible for credits for charitable giving, so remember to ask for a receipt.
- Our governments accept new expenses each year for the medical expense tax credit, so hold on to a copy of all your receipts.
- Among expenditures on your children, there are many types of childcare expenses. However, don't forget that the federal government also offers a \$500 annual tax credit for the cost of registering in athletic activities.
- If you and your family use public transit services, you may qualify for a federal tax credit for the cost of your passes.
- And perhaps most importantly, renovation work on your house completed in 2009 may be eligible for a 15% federal and 20% Quebec tax credit, up to a maximum of \$1,350 and \$2,500 respectively.<sup>3</sup>

Remember that in order to take advantage of these credits, you must hold on to your invoices or receipts.

**Do you have liquid assets waiting to be invested? Why not defer your taxes in the meantime? Come in to discuss the possibilities with us—we'll be happy to assist you with your tax strategy by offering top-notch advice on how to manage your wealth. For best results, book your appointment before the year is out!**

<sup>1</sup> For retiring allowances deposited for services rendered before 1996, different and more advantageous rules apply. Contact your financial advisor for more information.

<sup>2</sup> As long as all tax requirements are met.

<sup>3</sup> Application rules differ at the federal and provincial levels. Contact your advisor for more information.

\* Capital régional et coopératif Desjardins shares are issued and sold by Capital régional et coopératif Desjardins. They can be purchased at participating Desjardins caisses through authorized representatives. Detailed information on these shares can be found in a pamphlet available at participating Desjardins caisses and on the Capital régional et coopératif Desjardins website.



Money working for people

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