

Year End Wealth Planning Considerations

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With autumn well underway and the holidays just around the corner, we start to shift our focus to the final quarter of the year and look to lay the groundwork for any necessary final tax planning for 2020. This year has been fascinating on numerous fronts and has changed our daily habits from how we conduct business, to how we interact with family and friends, and even extending to how today's youth attends school. The phrase "the new normal" is often used to reflect these changes to our circumstances, however, one thing you can count on to remain consistent is taxes. While it is probably not the normal you hoped for, it is the inevitable. To that end, in this commentary we outline and provide insight into several wealth planning strategies that you may find to be of assistance as we wind down the year.

Capital Gain/Loss Management

- Tax-loss selling involves selling investments with accrued losses to offset capital gains realized elsewhere in your portfolio, subject to any superficial loss tax rules. Any net capital losses that cannot be used currently may either be carried back three years or carried forward indefinitely to offset net capital gains in other years. While markets have rebounded from their March lows, there still may be the potential to offset gains within your portfolio. If you have not yet logged into our newly re-designed web portal, please visit www.mycidel.com to view your account(s) and unrealized gain/loss information. To view your current realized gain/loss position, you can select "Additional Information" in the top right and then choose "Gain & Loss".

Charitable Donations Using Securities With Large Unrealized Gains

- In addition to providing much needed resources to support a great cause, donating to a registered charity can provide you with tax relief; this tax relief may be enhanced when you donate public securities with accrued capital gains. By doing so, you receive a charitable

receipt on the value of the securities but are not taxed on the gain realized when the securities are donated to the charity. As outlined in the chart below, using Ontario's tax credits (which are the lowest of all the provinces and subject to change) the charity receives substantially more money and the credit you receive is greater than donating with after tax dollars.

	Sell securities and donate after-tax proceeds	Donate securities
Cost Base	\$5,000	\$5,000
Current Price	\$10,000	\$10,000
Taxable Gain	\$5,000	-
Tax Payable	\$1,325	-
Donation	\$8,675	\$10,000
Tax Credit	\$3,444	\$3,975.78

Using 50% capital gain inclusion rate at the highest marginal tax bracket

As the example illustrates, donating securities in kind is noticeably more efficient to both you and the charity as you get a larger tax credit and give more to the charity you care about. Don't have a charity in mind to donate directly to? Ask your Wealth Consultant about opening a donor advised charitable fund or our other charitable solutions.

Family Trust

- If you have children, grandchildren, nieces or nephews, you may consider establishing a family trust with the aim of shifting investment income that would otherwise be taxed in your hands at a higher marginal tax rate, to the hands of your lower income family members. This can be an efficient way to pay for education, sports and other expenses for the next generation.

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Spousal Loan

- When there is a disparity in income between you and your spouse, consider establishing a spousal loan to shift investment income to the lower income spouse. The strategy involves transferring funds to your low-income spouse through a formal loan arrangement at the CRA prescribed interest rate. Your spouse is then able to earn investment income on these funds and pay taxes at their lower marginal tax rate.

For further information on income splitting, please [click here](#).

Registered Plans - TFSA & RESP

- TFSA contribution limit is \$6,000 for 2020 and the total limit for an eligible investor since 2009 is \$69,500. All growth and withdrawals are tax-free making this a great vehicle for growing your wealth.
- Planning for post-secondary education? To receive the maximum government grant, consider depositing \$2,500 into an RESP.

For any additional information or details on how to get started, please reach out to your Wealth Consultant.

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