

Tax Planning

CHRIS'S STORY



This is a story about one of our clients who is able to be kept within a reasonable tax bracket, despite being in a high marginal tax rate.

LET'S MEET CHRIS

Chris, a former consultant, has a corporate business structure in place with a taxable income of \$60,000 per year. His actual tax payable is \$4,000 or less. He has 2.5 million in investable assets including RSPs, TFSAs and non-registered investments. His biggest source of income is collected from dividends from individual Canadian stocks that he owns.

Chris's income or cash flow requirements are such that it could put him in a very high marginal tax rate. Each fall, the wealth management team takes information we know to be true at that point in time and we build a mock income tax plan and annual wealth plan. This is done every year to ensure that Chris is kept within a reasonable tax bracket. Chris's end result is that his tax payable is actually quite low as he has a number of tax planning opportunities to take advantage of each year that are incorporated into his plan.

** While we have changed our client's name to protect his privacy, the details in this story are true.*

Here are some details that are included in his strategy each year to ensure his tax payable is as low as possible.

By working with a wealth management team and preparing the mock income tax return, Chris is well prepared for the tax season, bringing him the best results each year.

CHRIS'S TAX STRATEGY

- He incurs enough taxable income to receive a refund of an alternative minimum tax balance outstanding to him
- He makes large enough withdraws from RSPs to shrink his RSP balance to avoid being forced to take a larger withdrawal later resulting in a possible OAS clawback
- He pays enough dividends out of his company to recoup his Refundable Dividend Tax on Hand (RDTOH) balance
- He keeps his income low enough so he doesn't have to pay back his Old Age Security (OAS)
- He withdraws his spending money from his non-registered account during the year to allow for proper tax planning at year end
- He makes a large annual donation of shares to his favorite charity, reducing his capital gains on the sale of the stock
- He gets the benefit of Fee Deductibility by using a portfolio management service
- He uses corporate class investments inside of his investment holding company to minimize the distributions and tax payable on his corporate investment portfolio
- He maximizes his Tax Free Savings Account each year to reduce tax on his non-registered investments

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