January to March 2017

Assante® WEALTH MANAGEMENT

Be well-advised.

MONEY matters

RRSP FACTS AND HOW TO MAKE THE MOST OF YOUR 2016 CONTRIBUTION

The RRSP contribution limit for 2016 is 18% of your 2015 income or $25,370, whichever is less. The contribution limit for 2017 is $26,010. If you are a member of a registered pension plan, then you need to deduct your pension adjustment (the amount on line 52 of your T4 slip) from the maximum allowable contribution for the year. If you were not able to make the maximum contribution to your plan in any of the years from 1991 to 2016, you can carry forward those amounts and make up the difference in 2017.

You will need an income of $140,944 in 2015 to be able to contribute the maximum allowable contribution of $25,370 to your RRSP for the 2016 tax year. If your income is over $144,500 in 2016, you will be able to take advantage of the maximum RRSP contribution limit for 2017.

For purposes of RRSP contributions, earned income includes salaries, business income, employee profit sharing income, disability pensions (issued under the Canada and Quebec pension plans), taxable alimony or maintenance, and rental income. For 2014 and later years, earned income also includes income contributed to an amateur athlete trust (for purposes of determining the RRSP contribution limit of the trust's beneficiary). Your earned income is reduced by business losses, rental losses, union dues, employment expenses, and deductible alimony or maintenance paid. Certain types of income such as retiring allowances, investment income, capital gains, pension income and business income earned as a limited partner are not classified as earned income.

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USE YOUR TFSA CONTRIBUTION ROOM TO MAXIMIZE TAX FREE GROWTH

Starting January 1, 2016, the annual TFSA dollar limit decreased from $10,000 to $5,500 and will be subject to indexation.

Tax Free Savings Accounts (TFSAs) were introduced by the federal government in 2009. Canadian residents who are 18 years of age or older with a valid Canadian social insurance number can set money aside tax-free during their lifetime by contributing to a TFSA.

Contributions to a TFSA are not deductible for income tax purposes. However, any income generated in the account (for example, investment income and capital gains) is generally tax-free, even when it is withdrawn.

An individual can only contribute up to their TFSA contribution room. Unused TFSA contribution room can be carried forward to later years. The total amount of TFSA withdrawals in a calendar year is added to the TFSA contribution room for the next calendar year. If you have never contributed to a TFSA, in 2017 you can contribute a total of $52,000 to your TFSA account.

If you have investments in non-registered accounts, you can transfer these investments in-kind to your TFSA, up to your allowable contribution limit and ensure tax free growth of these investments going forward. The in-kind contribution is considered a disposition for tax purposes and will result in a capital gains or loss, so discuss the tax consequences with your financial advisor before proceeding with this strategy.

CHANGES TO PRINCIPAL RESIDENCE RULES

If you are planning to sell your home, you should pay attention to a key change in the Canada revenue Agency's (CRA) policy on administering the principal residence exemption (PRE).

In the past, if you sold your principal residence, you did not have to report the sale to claim an exemption of taxes on the disposition. Beginning in the 2016 tax year, if you wish to claim the PRE, on the sale of a principal residence, you must report the proceeds of disposition, the date of acquisition and a description of the property sold on Schedule 3 of your tax return. If you fail to report and claim the PRE in the year of sale, you could ask to amend your tax return at a later date. However, per the proposed changes, the CRA would have the right to assess a penalty of $100 for each month after the original return due date during which the claim is not reported, up to $8,000.

It is important to note that the CRA could apply penalties for not reporting the disposition, whether there is a taxable amount or not.

This policy change was intended to prevent tax avoidance by some taxpayers and the main misuses of the PRE which include claiming PRE for more than one property for the same tax year, and tax payers who engage in repeated buying and selling of homes as a business. This was one of numerous changes announced in October 2016 by the federal government that were aimed at reducing risk in Canada's over heated housing market and promoting tax fairness. Other measures included introducing a more robust stress test for mortgage applicants, making the eligibility criteria for mortgage-loan insurance tougher and closing a loophole that allowed non-residents to claim the PRE.

In cases in which you are not claiming the PRE for all the years in which you owned the property, you will still have to file a CRA form T2091 with that year's tax return.

TAXATION OF CORPORATE CLASS FUNDS HAS CHANGED

Starting January 1, 2017, corporate class mutual funds, have lost the benefits of tax-deferred switching among the various funds held within the corporate class structure. In the past, the capital gains that would normally be triggered when units in a fund are sold at a profit, could be deferred until the year in which the unitholder sells all his/her holdings in the corporation. However, after the end of 2016, switches among different corporate class mutual funds will result in capital gains or losses, and the tax treatment of switches between different corporate class mutual funds will be the same as conventional mutual funds that are structured as trusts.

Despite this change in taxation, corporate class mutual funds continue to offer other major tax advantages compared to conventional mutual funds.

One of the primary benefits of corporate class funds which will continue is the ability to pool the income and expenses of all funds in the fund family. By doing so corporate class mutual funds offer the ability to minimize or defer overall taxable distributions.

The corporate class structure is particularly beneficial to income funds that tend to produce returns in the form of fully taxable interest income or for foreign equity funds that produce dividends that are ineligible for the Canadian dividend tax credit. The corporate class structure can reduce taxes by offsetting fully taxable income with unused expenses and loss carry-forwards transferred from other funds in the corporate class fund family.

Since Canadian corporations can only distribute dividends and capital gains, distributions from corporate class mutual funds are only in the form of eligible Canadian dividends or realized capital gains, which are taxed at a much lower rate than regular income.

The corporate class structure has many benefits for high net-worth individuals who own non-registered funds held outside registered plans such as RRSP or tax-free savings

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accounts. This kind of structure also provides tax advantages for small-business owners who invest their excess cash in corporate accounts owned by their operating or holding companies that are subject to high corporate taxes.

The corporate class structure is also of benefit to parents and grandparents who hold units of mutual funds in informal in-trust accounts for their children or grandchildren. Normally, any interest or dividends paid by a conventional fund are taxable in the hands of the parent or grandparent who contributed to these accounts, while capital gains are attributed to the child (who normally has no income and hence pays no taxes). Corporate class funds are ideal vehicles for in-trust accounts as their distributions are in the form of dividends or capital gains and hence can minimize the taxes payable.

The corporate class structure can also be of benefit to retirees who have set up systematic withdrawal plans and regularly withdraw funds from their non-registered portfolio to create an income stream. Retirees can not only enjoy tax efficient income earned within the corporate-class funds, but they can also realize tax efficiency on their regular withdrawals as their income stream could be set up in a way that it is considered return of capital until the adjusted cost base of the units grinds to zero and this would allow them to defer taxes and create a more tax-advantaged stream of income.

TINA TEHRANCHIAN RECEIVES THE SIMORGH AWARD

On December 2nd, 2016, The Iranian Canadian Congress presented the first annual Simorgh Gala to celebrate the contributions of the Iranian Canadian community to Canada's multicultural society and recognize the hard work and dedication of community leaders, the movers, and shakers, those who have passionately worked for many years to improve the lives of their fellow community members and helped to enrich the quality of life and culture of the community at large.

Tina Tehranchian was among the first group of seven community leaders, who received the Simorgh Award in appreciation of her outstanding dedication and contribution to the Iranian Canadian community. Other recipients of this distinction were Soheil Parsa (a Dora Award winning director, writer, dramaturg, choreographer, teacher and recipient of the Queen Elizabeth II Diamond Jubilee Medal), Houshang Shans (philanthropist and partner of a successful investment company which helps incubate start-ups in Toronto), Ahmad Tabrizi (president and founder of Parya Trillium Foundation, the first Iranian Community Centre in Canada, and recipient of the Queen Elizabeth II Diamond Jubilee Medal), Yasamin Dadashi (executive director of Omid Foundation Canada), Shadi Mousavi Nia (youth advocate and member of the Premier's council on Youth Opportunities), and Morvarid Zare Zadeh (president of the Iranian Students Association at York University).

Several dignitaries from the three levels of government (federal, provincial and municipal) and from different Canadian political parties were present at this gala, including Andrea Horvath (leader of Ontario's NDP), Majid Jowhari (MP, Richmond Hill), Ali Ehsassi (MP, Willowdale), Gila Martow (MPP, Thornhill), Jagmeet Singh (MPP, Bramalea-Gore-Malton), Godwin Chan (Councillor, Town of Richmond Hill), Karen Cilevitz (Councillor, Town of Richmond Hill), and Vito Spatafora (Deputy Mayor, Town of Richmond Hill).

'Simorgh', is an ancient bird of Persian mythology that symbolizes many qualities. Although the stories of this bird are both symbolic and profound, the message is simple: unity and love. As the 12th century Persian poet and theoretician of Sufism, Attar of Nishapur, beautifully explains in 'The Conference of the Birds', it was the solidarity among the birds that gave them the courage to survive and find their way.

Tina Tehranchian being presented with her award by the honorary co-chairs of the Iranian Canadian Congress' 2016 Simorgh Gala, Kiavash Najafi, and Majid Jowhari, MP for Richmond Hill

ANOTHER SUCCESSFUL YEAR FOR THE JOY OF AGING

On Sunday October 23rd, over 300 women gathered at Bellvue Manor to enjoy a special morning to celebrate healthy aging. This year with the help of our sponsors we raised over $45,000 for the Mackenzie Health Foundation. This brings the total that The Joy of Aging has raised for the Foundation to close to $245,000.

The event was organized by financial planners, Tina Tehranchian and Janine Purves and their team at Assante Capital Management Ltd. branch in Richmond Hill with the assistance of a dedicated team of volunteers and committee members.

This year we had some new faces and some returning guests. Christine Bentley gracefully returned as this year's event emcee. As always, she was energetic and fun and kept the morning joyful and entertaining. Musician Nick Cooper was first to take the front stage serenading the guests with

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acoustic rendition of classical hits and his own material. Ingrid Perry, Chief Executive Officer of Mackenzie Health Foundation spoke on the recent achievement of the foundation including breaking ground on the New Mackenzie Vaughan Hospital. Dr. Greg Wells, associate professor at the University of Toronto was the keynote speaker and elaborated on the theme for the morning '4 Secrets to a Healthier Life'.

Financial planners, Tina Tehranchian and Janine Purves, also the Platinum Presenting Sponsors, continued the morning with their pertinent focused presentation 'Myths and Realities about Investing in Real Estate and the Stock Market'. Multi-Faceted instructor, Sandra Corrado of Next Level Consulting continued the fun with a Zumba session which had the guests breaking a sweat.

This year we introduced the exclusive 'Pamper Me Pass' available only to attendees. For a small donation, attendees were pampered with makeup and hair touch up, massages and access to the photo booth and limited gift bags. Thank you to our'pamper me pass' sponsors for their time and dedication. Proceeds from the 8th Annual Joy of Aging event will help fund the new DASA Program (domestic abuse and sexual assault care centre) at Mackenzie Vaughan Hospital.

The sponsors of the event included an array of national and local businesses including: Assante Capital Management Ltd. in Richmond Hill, CI Investments, DeerFields, Delmanor, Fezza Hipstore, Golden Years Real Estate, Hummingbird Lawyers, Milena Calabro, RBC Global Asset Management, Staples, Stella & Dot, Trubalance Healthcare and American Standard. For the full list of sponsors, please visit the event web site at www.thejoyofaging.ca.

Special thank you to our media sponsors 105.9 The Region, The Liberal, ThatGuy Media Group, and Snap'd Vaughan East. Fair Print was the printing sponsor and Oh La La Event Décor was the décor Sponsor. You can read the media coverage and see photos from the event on www.thejoyofaging.ca.

We would like to extend a heartfelt thank you to our attendees, sponsors & volunteers who contributed to the success of this event.

Keep an eye out for The Joy of Aging 2017 details! You can visit www.thejoyofaging.ca for updates about the 2017 event.

ABOUT THE EDITOR

Tina Tehranchian MA, CFP, CLU, CHFC, is a Branch Manager and Senior Financial Planner with Assante Capital Management Ltd., one of Canada's largest wealth management firms, offering integrated financial solutions to create wealth and prosperity for you and your family. The 750 advisors serve over 300,000 Canadian families across the country and take pride in the exceptional service they offer to clients through trusted face-to-face relationships and a level of service excellence second to none. Money Matters is published as a special service for clients of Tina Tehranchian.

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