January - March 2015

Assante® WEALTH MANAGEMENT

Be well-advised.

MONEY matters

RRSP FACTS AND CONTRIBUTION LIMITS

With the March 1st deadline for contributing to RRSP accounts fast approaching, the beginning of the year is a good time to review tax planning and savings opportunities. Of course, ideally this should be an ongoing exercise throughout the year and should not be left until the last minute when deadlines are looming.

If you are under 71 and are still working and have earned income, RRSPs are one of the best tax reduction and retirement savings vehicles available that allow you to deduct your contributions against your 2014 income and defer taxes on the growth of your savings until you start withdrawing income.

The maximum RRSP contribution limit for 2014 is $24,270 (representing an increase of $450 compared to the 2013 limit), or 18% of your earned income in 2013, whichever is lower. To qualify for the maximum RRSP contribution, your earned income in 2013 must have exceeded $134,833.

If you are a member of a pension plan, your pension adjustment (noted in box 52 of your T4 slip) will reduce your maximum allowable RRSP contribution limit.

You can make a lifetime over-contribution of up to $2,000 (which will not generate any tax deduction). Over-contributions over $2,000 will incur a 1% per month penalty tax.

If you had not maximized your RRSP contribution limits in previous years you would be entitled to carry forward your contributions dating back to 1991.

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You should discuss the optimal amount you need to contribute to your RRSP with your financial advisor, as many factors, such as your income in the previous and upcoming years, other types of income you may be receiving (dividend, capital gains, interest income), and your retirement planning and general tax planning would impact the amount that would be optimal for you to contribute to your RRSP in each year.

TFSA CONTRIBUTION LIMIT IN 2015

In 2015, you can contribute a maximum of $5,500 to your TFSA account. You can also carry forward amounts that you have contributed since 2009 and you can deposit amounts that you had withdrawn in previous calendar years.

If you have not started saving in a TFSA yet, you can contribute a lump sum of $36,500 in 2015 to make up for maximum contributions of $5,000 in 2009, 2010, 2011, and 2012, plus $5,500 in 2013 and 2014.

TFSA contributions do not generate any income tax savings but funds that you deposit into your TFSA account will grow tax sheltered and can be withdrawn at any time on a tax free basis.

SNOWBIRDS SHOULD PROTECT THEMSELVES AGAINST THESE RISKS

If you are a Canadian retiree who spends significant portions of the year vacationing south of the border, you need to be careful not to expose yourself to the risk of losing access to certain government benefits or facing adverse tax consequences if you stay out of the country for too long.

In July 2014, Canada and the U.S. began collecting a broader range of information on individuals crossing the border as part of a new travel information-sharing initiative. In addition, the Canadian government has indicated that it will share information regarding how long a citizen has been outside the country with other government departments.

Risk of Losing Government Benefits

While the rules vary from province to province, generally, Canadians must physically reside in their home province for four or more consecutive months in each calendar year to remain eligible for Canadian health benefits. Extended overseas trips, particularly for work, charitable work, or study may qualify for exceptions.

In Ontario, you risk losing your OHIP benefits if you spend over 212 days in each 12 month period outside of Canada. In certain cases, you may be eligible for a two year stay outside of Canada for vacation/other reasons. If you leave the country for extended periods of time during the year, you should check with your provincial health care provider before you leave and find out whether you can remain eligible for provincial health care benefits.

The good news is that in general, Canadians can still receive Canada Pension Plan or Quebec Pension Plan benefits even if they are no longer a tax resident of Canada. You can also continue to receive old-age security benefits as long as you meet certain residency conditions, including having lived in Canada for at least 20 years after the age of 18.

However, guaranteed income supplement and spouse's allowance benefits for low income seniors, would only be available for six months after the month of departure.

Canada Revenue Agency has been enforcing rules more rigorously as of late and making sure that only those who qualify as residents of Canada are collecting benefits intended for Canadian residents. Therefore, you need to ensure that your absences from Canada will not end up disqualifying you for receiving government benefits.

Risk of Running Afoul of Tax Rules

Lengthy stays outside of Canada create complications with regards to income taxes too. If you remain abroad too long and cut residential ties to Canada, you may no longer be considered a resident for tax purposes in Canada, and instead, be considered a tax resident of a foreign country. One of the unintended tax consequences could be that you may become subject to departure taxes in Canada on the deemed disposition of your assets.

The U.S. government has lately increased scrutiny over Canadians spending extended periods of time in the U.S. too, so you should be careful to ensure that your extended stays south of the border will not necessitate that you file a U.S. tax return.

There are special rules for tracking the days you spend in the U.S. as a snowbird and you should be aware of these rules as they will determine whether you are considered a U.S. resident for tax purposes. Non-residents can stay up to 182 days in the U.S. each year. If you are forced to spend time in a U.S. hospital or are detained, those days are not counted towards your total.

Substantial presence, is another measure of tax status and is calculated by taking into account the time a visitor spends in the U.S. over a three-year period. While many snowbirds would fail this test, filing form 8840 with the U.S. Internal Revenue Service (IRS) will prove that you have a closer connection with Canada and should therefore be exempt from paying U.S. taxes. If you are not sure how many days you spent in the U.S. over the past three years, you can check online by registering for an I-94 Customs and Border Protection (CBP) number (search "Get I-94" on Google), and then you would be able to check your tally whenever you wish. This of course, would mean that the CBP would have the exact number of days you have spent in the U.S. too, which is why you should try not to over stay.

Risks Inherent in Selling U.S. Property

You should be aware of the tax implications of selling property in the U.S. If Canadians sell or rent out U.S. properties, they have to file form 1040 NR with the IRS and report capital gains or losses

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on U.S. property owned by non-residents.

You have to report capital gains on a sale of U.S. property in both countries, but the CRA will provide a foreign tax credit for the Canadian tax return to offset the U.S. taxes paid.

The currency exchange rate could complicate the reporting further. Sometimes, even if a property is sold at a loss in the U.S., you may have to report a capital gain in Canada after adjusting for the currency exchange rate.

Another factor to keep in mind is that if a Canadian sells a U.S. property for proceeds exceeding $300,000, 10% of the sale price could be withheld and submitted to the IRS (for next year's taxes) before the deal closes. If you are sure that there has been no gain on the property, you can file IRS form 8288-B to be exempt from this payment. You have to be proactive and file this form. Otherwise the escrow agent will withhold the 10% of the sale price.

Risk of Increased Estate Taxes

If you own a vacation property in the U.S. you need to do special estate planning to protect this property from taxes when you die. In some states, you can set up beneficiary deeds for your property for $200 - $400. By using these deeds you can assign a beneficiary so the property can pass upon your death without probate. However, not all states allow these and Florida, one of the most popular states for Canadian snowbirds, is one of those.

You need to consult a lawyer familiar with U.S. and Canadian estate law and coordinate your estate planning for assets held in the U.S. with your Canadian will and estate planning.

TRIGGER PENSION INCOME IF YOU ARE OVER AGE 65

If you are 65 or older, you should ensure that you generate at least $2,000 of eligible pension income each year, even if you do not need the extra income. This will allow you to take advantage of the pension income tax credit.

If you don't use this non-refundable tax credit, it cannot be carried forward. So you should try to use it in each calendar year once you turn 65.

The pension income tax credit is a 15% federal credit on up to $2,000 of eligible pension income in each year for Canadians aged 65 or older. A provincial pension income tax credit is available too and varies from province to province. In 2015, Ontario provides a 5.05% tax credit on up to $1364 of pension income, while British Columbia offers 5.06% on up to $1,000 of eligible pension income. Eligible pension income includes payments from retirement pension plans, registered retirement income funds (RRIFs), including life income funds and locked-in retirement income funds, registered life annuities, and the interest component of payments from non-registered annuities.

Withdrawals from RRSPs, and government pension benefits such as Canada Pension Plan and old-age security and the guaranteed income supplement, do not qualify as eligible pension income.

For retirees between the ages of 65 and 71, without eligible pension income, it is possible to convert a portion of their RRSP to a RRIF to generate $2,000 per year of eligible pension income. Even though this amount will have to be included in their income for the year and will be taxable, the pension income tax credit will either eliminate or significantly reduce the taxes payable on this amount.

If you are married or in a common law relationship and you are both over 65 years of age, you can ensure that both of you get the pension income tax credit by pension income splitting. You would need to generate a minimum of $4,000 of eligible pension income between the two of you to be able to take advantage of the full pension income tax credit.

The same effect can be achieved if one spouse is over age 65 and the other one is younger, only if the pension income that is being transferred to the younger spouse is registered pension plan income.

Talk to your financial advisor about planning opportunities for taking advantage of the pension income tax credit.

THE 6TH ANNUAL JOY OF AGING FUNDRAISER FOR MACKENZIE HEALTH FOUNDATION

From left to right: Christine Bentley, Valerie Gibson, Dr. Michelle Crispe, Tina Tehranchian (Co-Chair), Janine Purves (Co-Chair), Dr. Oren Amitay, Dr. Stacey Grossman, and Dr. Jessica O'Reilly

On Sunday, November 9th, 2014, over 300 women gathered at Bellvue Manor in Vaughan to raise funds for the Mackenzie Health Foundation and learn about healthy aging by maintaining a healthy relationship. The event was organized for the sixth consecutive year by financial planners, Tina Tehranchian and Janine Purves, and their team at Assante Capital Management Ltd. in Richmond Hill.

The event helped raise over $30,000 that will be used to fund a

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second permanent Magnetic Resonance Imaging (MRI) for the Mackenzie Health Foundation. The 3 Tesla MRI scanner will produce images in greater detail allowing physicians to diagnose conditions like breast cancer and cardiovascular disease illness. Since 2009, this event has helped raise over $180,000 for Mackenzie Health Foundation to help provide better healthcare for the growing community in York Region.

Christine Bentley, News Anchor and journalist, was the Event Emcee for the morning. The event started with the beautiful music of Penelope Dale (Soprano) and Richard Maddock (Pianist). This was followed with a speech by Ingrid Perry, CEO of Mackenzie Health Foundation. The keynote speaker and moderator, Valerie Gibson made a fun and engaging speech about the importance of communication to keep the spark in the relationship, using excerpts from her books, The Later Dater & Cougar. An expert panel consisting of Dr. Oren Amitay, Dr. Michelle Crispe, Dr. Stacey Grossman and Dr. Jessica O' Reilly answered audience questions on the topic.

Next, financial planners, Tina Tehranchian and Janine Purves, also the Platinum Presenting Sponsors, delivered a fun and entertaining presentation about love and money, and established the recurring theme of the morning that communication is ultimately the key to a prosperous and successful relationship.

Dan Trommater kicked off the second half of the morning with a sensational magical treat. The fitness break sponsored by Soul2Sole Latin Dance Co., got everyone off their seats and gave the audience a Salsa lesson. Christine Bentley presented the closing remarks to wrap up the morning.

The sponsors of the event included an array of national and local businesses including: Assante Capital Management Ltd. in Richmond Hill, CI Investments Inc., RBC, Dick & Jane Romance Boutique, Oak Ridges Retirement Community. For additional sponsors, please check the website. The silent auction included exciting items such as an iPad Mini from Staples, a 5 day stay at The Oasis at Sunset resort in Jamaica, a Niagara-on-the-Lake Package, Raptors and Toronto FC tickets and a chance to be on the air on 105.9 The Region.

105.9 The Region was the Diamond Media Sponsor for the event. Dolce Media Group, Homes Publishing Group, Persian Tribune, Snapd Vaughan, The Liberal and Sirius XM-What She Said were the other media sponsors. Fair print was the printing sponsor and Fiori Bevilacqua was the florist sponsor. On the Spot Massage provided massages and LOKI A Paul Mitchell Focus Salon provided hair touch-ups – the proceeds of which were donated to Mackenzie Health Foundation.

The Joy of Aging 2014 volunteer committee

ABOUT THE EDITOR

Tina Tehranchian MA, CFP, CLU, CHFC, is a Branch Manager and Senior Financial Planner with 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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