



*Be well-advised.*

# MONEY *matters*

## RRSP DEADLINE AND MAXIMUM CONTRIBUTION LIMIT

For 2014, the maximum RRSP contribution limit is the lower of 18% of your earned income in 2013 or \$24,270. The maximum contribution limit for 2013 was \$23,820 and you have until Monday, March 3rd, 2014 to make this contribution and deduct it against your 2013 income.

If your 2013 income exceeded \$134,833, then you will be able to contribute a maximum of \$24,270 to your RRSP in 2014 and deduct it against your 2014 income.

If you are a member of a company deferred profit sharing plan (DPSP) or registered pension plan (RPP) your maximum contribution limit will be reduced by the amount of the pension adjustment reported on box 52 of your T4 slip.

Establishing a monthly RRSP contribution plan will allow you to dollar cost average and take advantage of the dips that periodically happen in the markets and will also make it much easier to save than leaving things for the last minute and scrambling to make the deadline. By investing earlier in the year, your funds will start growing on a tax deferred basis sooner too.



**Tina Tehranchian, MA, CFP, CLU, ChFC**

FELLOW OF FPSC™  
Branch Manager  
Senior Financial Planner

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## NEW DIVIDEND TAX RULES

Effective January 1, 2014, the Federal government is enacting measures that will increase the dividend tax rate on non-eligible dividends.

Dividends received from a Canadian Controlled Private Corporation (CCPC) are non-eligible dividends and receive a special tax treatment. In 2013, when a shareholder received a non-eligible dividend that dividend was grossed up by 25% when it was included in his/her income. In addition, shareholders who received non-eligible dividends could take advantage of the Dividend Tax Credit (DTC) that was equivalent to 13.33% of the gross-up amount.

Assuming active business income was earned within the corporation and flowed to shareholders as a non-eligible dividend, at maximum personal marginal tax rates based on tax rates as of January 1st 2013 in most provinces it was more advantageous to earn active business income through a corporation than to earn it personally. In Ontario this advantage amounted to 3.4% in 2013.

The goal of the tax system in Canada is that active business income earned within a corporation should be taxed so the combined corporate tax paid on income, plus the personal tax paid on dividends, is taxed the same as personal salary income. In order to come closer to achieving this end, the 2013 Federal Budget introduced an adjustment to the gross-up factor (from 25% to 18%) and the dividend tax credit (from 13% to 11% of the gross up amount). Effective January 1, 2014, this measure took effect and will apply to non-eligible dividends.

As a result of this change, in 2014 the top marginal tax rate on non-eligible dividends will increase in all provinces. For an Ontario resident with income between \$135,055 and \$509,000, the taxation rate on non-eligible dividends will rise from 32.57% to 34.95%. Therefore in 2014 in 6 out of 10 Canadian provinces, for business owners it will generally be more beneficial to earn business income personally as business income compared to earning active business income through a corporation as non-eligible dividends.

### Dividends Are Still Tax-Efficient

Since non-eligible dividends will be taxed at a lower rate than salary income, despite these changes, dividends will continue to be the most tax-efficient way to receive income from a corporation. However, if you are a shareholder earning active business income in your corporation, you should review the mix of salary and dividends paid out from your corporation with your tax advisors to achieve the best combination given the current tax rates.

If you own a Canadian Controlled Private Corporation and do not need income, you will still benefit from a significant tax deferral by having the business income taxed in your corporation at the low small business rate and investing the funds inside your corporation for the future.

If you are a retired business owner receiving income from your corporation, the reduction in gross-up amounts could be beneficial for you, as the claw back rules for Old Age Security and Guaranteed Income Supplement are based on the grossed-up amount of dividends.

## TAX CHANGES FOR SNOWBIRDS

In the U.S., for estate tax purposes, the basic exclusion amount in 2014 will be US\$5.34 million, up from \$5.25 million in 2013. The maximum estate tax rate of 40% for estates with taxable assets exceeding \$1 million still applies for the 2014 tax year.

If you are a Canadian who is not a U.S. resident for income, gift or estate tax purposes, such as a married couple who personally own U.S. real estate, but whose joint worldwide estate does not exceed US\$10.68 million (\$5.34 million exclusion amount multiplied by 2), then you would have no U.S. estate tax exposure at the death of the first spouse.

If the value of your personally held U.S. real estate assets or shares exceeded US\$60,000, you would still need to file a U.S. non-resident estate tax return (IRS Form 706NA). However, once the exemption and additional marital credit available under the Canada-U.S. Treaty have been applied, you would not need to pay any estate tax.

Depending on the ultimate worldwide estate of the surviving spouse, you should consider further planning to reduce or eliminate U.S. estate tax upon the death of the surviving spouse.

In 2014, the annual exclusion for gifts remains at US\$14,000. An annual gift from a U.S. citizen to his/her non-citizen spouse however has increased from US\$143,000 in 2013 to US\$145,000 for 2014.

The lifetime gift tax exclusion continues to be linked with the U.S. estate tax exemption and will be \$5.34 million for 2014. If you make any annual gifts exceeding the annual exclusion of \$14,000 to anyone other than a non-U.S. citizen spouse, you need to file a U.S. Gift Tax Return (IRS Form 709). Your lifetime gift tax exclusion will be reduced by the amount of your taxable gift.

If you are a U.S. resident who would qualify for the foreign earned income exclusion on your Canadian source employment income, in 2014 the exclusion increases to US\$99,200 from US\$97,600 in 2013.

While U.S. marginal tax rates (ranging from a low of 10% to a high of 39.6%) have remained the same in 2014, the taxable income thresholds have increased for 2014.

## Welcome News on Healthcare

Obamacare is making it easier for Canadians interested in

moving to the U.S. to obtain private health insurance. Under new legislation, the elderly and those with pre-existing conditions cannot be denied private health insurance by insurance providers as of 2014.

## **Changes for Married Same-Sex Snowbirds**

The demise of the Defense of Marriage Act (DOMA) in the U.S. is welcome news for married same-sex snowbirds looking to make a permanent move to the U.S. It opens up a plethora of new tax, estate planning, retirement and immigration opportunities, including the ability for U.S. spouses to sponsor their Canadian spouse

## **THE FOREIGN ACCOUNT TAX COMPLIANCE ACT (FACTA)**

If you are a U.S. citizen, you need to file a tax return and report your worldwide income to the IRS no matter where in the world you live or what other citizenships you hold.

The Foreign Account Tax Compliance Act (FACTA) is scheduled to come into effect and be implemented on July 1, 2014, with the goal of deterring and preventing tax evasion among "U.S. persons" who maintain "financial accounts" outside the United States.

If you are a U.S. citizen, even if you are a resident of Canada you are considered a U.S. person. A permanent resident of the U.S., including a U.S. green card holder, or a U.S. corporation, estate or trust are also all considered U.S. persons.

If you are a snowbird who spends a significant amount of time in the U.S. each year, you may meet the substantial presence test and may also be considered a U.S. person for tax purposes.

Starting in July 2014, banks and other financial institutions in Canada will be required to identify clients who are American and report certain account information to Canada Revenue Agency.

There are severe penalties for non-compliance both for the financial institutions and for U.S. persons. These penalties can include a 30 per cent withholding tax on all U.S. source income, as well as a 30 per cent withholding tax on the gross proceeds of the sale of U.S. securities.

## **Reportable "Financial Accounts"**

According to an article by Jamie Golombek in the November/December 2013 issue of Forum Magazine, "It's expected that most bank accounts, mutual funds, segregated fund contracts, brokerage and other custodial accounts will be reportable if the value of the account or contract is over \$50,000. Permanent life insurance policies, like universal and whole life policies, that have a cash value greater than \$50,000 as well as annuity contracts, would also be reportable."

U.S. Persons must file U.S. FBAR (Foreign Bank Account Report – TFD 90-22.1) and the new IRS Form 8938 disclosing ownership of foreign assets. Failure to file these forms will result in significant financial penalties.

## **THE JOY OF AGING 2013 WAS A GREAT SUCCESS**

On November 10, 2013, over 350 women gathered at the Riviera Parque Banquet Hall in Vaughan to raise funds for the Mackenzie Health Foundation, learn about healthy aging, fitness, how to improve their health, and build new friendships.

The event was organized by financial planners, Tina Tehranchian, Janine Purves and their team at the Richmond Hill branch of Assante Capital Management Ltd. Judy Croon, the renowned motivational humorist, radio personality and author, was the master of ceremonies.

The morning started with the beautiful sound of Dave McLaughlin's saxophone which was followed with a speech by Sabrina Fiorellino, who talked about the Di Poce and Fiorellino families' history of philanthropy and their recent donations to The Mackenzie Richmond Hill Hospital. Keynote speaker, Dr. Marla Shapiro, inspired the audience with her presentation about menopause and offered advice on how to manage the symptoms effectively and to improve quality of life after menopause.

To promote discussion after the keynote speaker, Herzig Eye Institute, one of the Gold Presenting Sponsors of the event, held the Herzig Eye Institute Vision for Living Panel of Experts consisting of Dr. Vivien Brown, Dr. Marla Shapiro, and Dr. Catherine J Eplett. The CEO of Herzig Eye Institute, Cherry Tabb, skillfully moderated the panel and provided an opportunity for the audience to engage with the experts and ask their health-related questions.

Anne Manson, VP of Strategic Business Development at CI Investments Inc. delivered a fun and entertaining presentation about women and money. Fun activities, such as an energizing fitness break sponsored by Edna Levitt of 50+ Fitness, interesting sponsor booths, and a Latin dance performance donated by Soul 2 Soul Latin Dance Company further enhanced the experience.

The event helped raise approximately \$40,000 which will help fund the purchase and installation of a second permanent and more powerful Magnetic Resonance Imaging (MRI) scanner at Mackenzie Richmond Hill Hospital.

The sponsors for The Joy of Aging, 2013 included an array of national & local businesses including organizers, Tina Tehranchian and Janine Purves, senior financial planners at Assante Capital Management Ltd. in Richmond Hill, CI Investments, Herzig Eye Institute, Bayview Concierge Inc., Power Stream Inc., Delmanor Seniors Communities, John Paul & Co, Mackenzie Investments, Manulife Financial, RBC

Investments, Sunrise Senior Living, PharmCare Laboratories, and Shen Yun Performance Arts.

In addition to our staple media sponsor, The Liberal newspaper, Persian Tribune, & Elevate magazine were among the media sponsors of this year's event. Fairprint.ca was the printing sponsor, Eforea Spa at Hilton Suites provided make-up touch-ups, and Acupuncture Wang Inc provided massage for donation. All proceeds were donated to Mackenzie Health Foundation.

## SENECANS OF DISTINCTION AWARD

On December 2, 2013, Tina Tehranchian, received the Senecans of Distinction Award from Seneca College. Tina had served on the board of governors of Seneca College from 2007 to 2013 and finished her second and last term on the board of governors in September 2013.

The Senecans of Distinction Award is built upon the 11-year tradition of the Distinguished Alumni Award, which was established in 2000 by the Seneca College Alumni Association.

Recipients include alumni, who have excelled in their careers and have maintained a strong connection to the College and volunteers, donors and community partners, who have made significant social and economic contributions to the Seneca community. To view the full list of the 2013 award recipients please visit <http://www.senecacollege.ca/news/sda.html>.



*From left to right: Colleen Fleming (Chair, Board of Governors of Seneca College), Tina Tehranchian, David Agnew (President of Seneca College)*



*From left to right: Anne Manson (VP of Strategic Business Development at CI Investments Inc.), Dr. Catherine Eplett, Cherry Tabb (Co-Founder & CEO of Herzig Eye Institute), Dr. Marla Shapiro, Janine Purves, Dr. Vivien Brown, Tina Tehranchian, & Judy Croon.*

## ABOUT THE EDITOR

Tina Tehranchian MA, CFP, CLU, CHFC, is a Branch Manager and Senior Financial Planner with Assante Capital Management Ltd. Assante Wealth Management is one of Canada's largest wealth management companies, offering integrated financial solutions to create wealth and prosperity for you and your family. Our 900 [www.assante.com](http://www.assante.com) advisors in 300 offices across Canada 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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"The Joy of Aging 2013 event helped raise approximately \$40,000 which will help fund the purchase and installation of a second permanent and more powerful Magnetic Resonance Imaging (MRI) scanner at Mackenzie Richmond Hill Hospital."