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FINANCIAL MANAGEMENT INC.

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Plan Now, Save Later!

The last candy bar has been tricked and now that Halloween costumes have been put away the real monsters may now emerge; the dreaded "Mo". Yes, November is the month of the mustache and if you are able to grow a "Mo" you may have already begun this annual ritual in support of men's health issues. If you haven't you may be thinking of what else you can do in November, and as a result, you may find yourself turning your attention to your household finances.

Unlike governments, Canadian households do not have the luxury of running deficit budgets year over year. While governments have the ability to offset increases in spending by increasing tax revenues, households must make do and maximize the income that is available to them. This can be accomplished by taking advantage of government savings programs and incentives as well as by splitting income and making the most of the tax deductions and credits that are available to Canadians.

Here are some tips that you should be aware of, and consider implementing before year-end:

Withdrawal from your Tax Free Savings Account (TFSA) - That's Right Withdrawal! If you anticipate needing money to pay for either everyday expenses or for what you think you may spend over the holidays you should withdraw money from your TFSA before year end. That's because amounts withdrawn from your TFSA are not added to your contribution room until the beginning of the next calendar year following the withdrawal. If you implement this strategy before year end, you can contribute at least $5,500 (plus the amount you withdrew from your TFSA in 2013) in 2014.

Contribute to your Registered Education Savings Program (RESP) - RESP beneficiaries are eligible to receive a maximum of $7,200 through the basic Canada Education Savings Grant (CESG) which provides 20 cents on every dollar you contribute, up to a maximum of $500 on an annual contribution of $2,500. If you did not contribute to an RESP last year, then December 31, 2013 is the last day to contribute to it and receive the CESG for 2012. Note that in this case a contribution of $5,000/beneficiary would have to be made by December 31st in order to receive the government maximum CESG of 20%.

If you plan to retire before age 65 and are married - Then you should know that spouses are allowed to split pension income. However, in order to split income derived from savings plans such as an RSP or RIF the recipient spouse must be at least age 65. For those who wish to split pension income with a spouse who is younger than 65, a spousal RSP may be used. Spouses who use this strategy should be aware of the income attribution rules when making withdrawals. These attribution rules will apply when the non contributing spouse makes a withdrawal within 3 years of a contribution having been made and will result in a tax liability for the contributing spouse.

Contribute to your favourite charity - If you (or your spouse) have not made a charitable contribution since 2007 you may be classified as a first time donor, which entitles you to a super credit. The 2013 Federal Budget introduced a new credit for first time donors (who, you guessed it, are defined as those who have not made a donation since 2007). This super credit, supplements the existing charitable donation tax credit with an additional 25% tax credit on up to $1,000 in **cash donations**, and entitles donors to a 40% federal tax credit on donations of $200 or less, and a 54% federal credit for the portion of donations that exceeds $200.

Create pension income and realize a tax credit - If you are over age 65 you can claim a tax credit on the first $2,000 of pension income from a company pension plan or from your RIF. One strategy you may want to consider entails transferring enough from your RSP (about $50,000) to a RIF in order to create a RIF minimum payment of $2,000.

Did your child move to attend school? - If your child had to move more than 40 kilometers in order to attend a full time post secondary institution you may want to hang onto those receipts. Your child will be able to deduct their moving expenses against scholarship income or employment income earned in the location where they attend school. This amount can also be carried forward to the next year if all the expenses cannot be used in the current year.

Consider selling investments that are underwater - This title refers to tax loss selling. This is a tax strategy that allows you the opportunity to reduce taxes payable on capital gains both in the current year as well as gains realized over the previous three taxation years. In addition to being allowed to carry capital losses back three years (Note this can be accomplished by filing CRA Form T1A,) losses may also be carried forward indefinitely. December 31, 2013 marks the last opportunity for investors to reduce capital gains realized in 2010.

Review your Government Pensions - Deciding when to receive your government pensions can be a stressful process and while you have always had a choice of when to start receiving payments from the Canada Pension Plan (CPP), it has only been recently that you also have a choice to make with respect to receiving Old Age Security (OAS) Payments. As of July 2013, you can now also defer receipt of your OAS for up to 60 months (5 years) after the date you become eligible for an OAS pension in exchange for a higher monthly amount. If you delay receiving your OAS pension, your monthly pension payment will be increased by 0.6% for every month you delay receiving it, up to a maximum of 36% at age 70. Note that should you choose to defer your OAS pension; neither you nor your spouse will be eligible for the Guaranteed Income Supplement or the Allowance. Some of the factors that may help you make this decision are a thorough review of:

- Your cash flow requirements
- Tax Situation
- Sources of Income
- Health and plans for retirement

While employing tax, saving and spending strategies often dominate year-end financial planning discussions; there are other areas and opportunities to improve both your financial status and legacy that also need to be addressed. These include a review of your estate and risk management plans.

Taking some time now to reflect on your personal finances can help to ensure that the holidays are as peaceful as they can be at a time when food, family, and stuffed stockings often prevail.