SV Wealth - Newsletter

Sabu Varghese, MBA, CIM
Portfolio Manager

Ramzy Saad, CFA, MBA
Associate Portfolio Manager

SV Wealth
Raymond James Ltd.

www.SVwealth.ca

416-499-1555

8500 Leslie St, Suite #450
Markham , ON

Year-end Already?!

The arrival of December typically heralds winter and the convivial holiday season. December also marks the end of the year, which means a little tax planning now could save us from a bigger headache in the spring.

Taxes can be confusing because they touch on so many different areas of your finances. Much like how we use a financial plan to help you set clear and understandable goals, using a planning framework to think about taxes helps distill some of the complexity in the topic.

Since every person's tax situation is different, you should consult an accountant for specific advice. We will provide a more general overview of some year-end opportunities, and the webinar we'll be hosting to delve deeper into the topic.

Income Tax Planning

Income Splitting: Make sure to take advantage of income splitting to reduce your family's overall tax bill. With income-splitting, the higher-earning spouse lends funds to the other spouse at a specific interest rate. The Canada Revenue Agency has recently reduced that interest rate to 1%, which can be locked-in indefinitely for the life of the loan.

TFSA Withdrawals: If you're planning to withdraw from your tax-free savings account in the near future, be sure to do it before December 31, 2021 so that the withdrawal value is added back to your contribution room for 2022.

Planning for New Taxes

Luxury Vehicles: If you're one of the lucky folks in the market for a new luxury car, boat or personal airplane, be sure to complete your purchase before December 31 to avoid the new luxury goods tax. Starting January 1st, any car above $100,000 or boat above $250,000 will be subject to the lesser of a 10% tax on the total value, or 20% on the value above the $100,000/$250,000 threshold.

Underused Housing Tax: If you are a non-resident and have a rental property sitting empty in Canada, consider renting it out to avoid the new underused housing tax. Starting 2022, empty houses will be subject to a 1% tax on their value.

Investment Tax Planning

Tax-Loss Selling: With the markets on pace for another strong year, tax-loss selling can reduce your capital gains taxes due. This basically means selling some of the weaker stock positions to offset some of the gains booked from our stronger positions.

Portfolio Tax Efficiency: At SV Wealth, our rules-based approach ensures that securities paying interest and dividend income are held in registered accounts, as much as possible. This is because income received in registered accounts is tax-free until the funds are withdrawn from the account.

Retirement Planning

Maximize RRSP Contributions: If you're still working, be sure to maximize your retirement contributions to take advantage of tax-deferred growth. RRSP can be especially powerful if you're in a high tax bracket today but expect your rate to drop in retirement.

RIF Accounts: Consider converting a portion of your RRSP to a RRIF starting at age 65 to take advantage of the pension income credit that shelters $2,000 of pension income from federal tax if you have no other pension income.

Education Planning

RESP Grants: Consider establishing an RESP account if you haven't already, and contribute a minimum of $5,000 before year-end to receive the maximum grant for the current and prior year ($1,000) from the federal government. Starting early and saving often is always a good bet.

Webinar: Year-End Tax Planning Opportunities

Taxes may not be the most exciting topic to discuss but they are an important piece of helping you meet your financial goals.

To help dig deeper into the topics we discussed, SV Wealth will be hosting a live webinar on **Tuesday, December 14, 2021 at 1pm**. To register, scan the QR code with your phone's camera or contact us. We hope to see you there.

Have a wonderful December and a splendid holiday season!