

Tax Planning Odds and Ends

Hunger seems to be more visible during the feast seasons. Tax incentives promote giving.

I knew I'd best pull over as the last few molecules of fumes burned off. Unlike most times when I ran out of gas, this event was expected. It was mid December 1984. I had just finished another semester of university and my pockets were about as dry as my fuel tank. I glided to the shoulder and left the old beast in a safe spot out of traffic, bus fare in my pocket as per plan.

The economy in the early 80s was very difficult, and the only job I could find was flogging department store credit cards in a clothing store way over in Richmond. I had a sister there, and she agreed to put me up for the Christmas break. A single mom, she too was just making ends meet.

I had \$22 plus some loose change in my pocket as I got on the bus to ride from Surrey to Richmond. That was to fund my entire Christmas. Bus fare was a dollar and change.

But as I got on the bus, I accidentally stuffed the \$20 bill into the receiver instead of the \$1 bill. I breathlessly watched it fall down like some sort of gold leaf. I sat next to the driver and stared at it until he flipped the mechanism and the big machine ate my net worth like an elephant inhaling a mosquito. They used to give change on buses back even further, but not anymore. Scoundrels. And despite several phone calls to BC transit, that was the end of it.

The clothing store was an extremely busy place over the Christmas and boxing weeks, and my first foray into the financial world was a moderate success. The song of the day was played over and over on the store intercom: "Feed the World," A Christmastime charity ditty put together by several UK stars. I knew that there were others far worse off than me, and honestly I felt some of their pain. Despite my humble circumstances, I don't recall ever missing a meal.

So as we plan to save a few pesos out of our abundance this year, we might consider charity as one of the tax incentives at our disposal, as noted below.

A few More General Year-end Tax Considerations:

Deductible Expenses:

- Pay your deductible expenses and make charitable donations before the end of the year if you wish to obtain a tax deduction or charitable donation tax credit for the current taxation year.
- If you plan to make a large charitable donation to reduce your tax liability this year, consider making an in-kind donation of securities that have an accrued capital gain. You may be able to eliminate the taxable capital gain and get a donation tax credit to apply against taxes owing on other income. Due to the administration involved in processing an in-kind donation, ensure that you start this process well in advance of the year-end.
- You may also be able to reduce your employment benefit when you exercise employee stock options by donating the securities to a qualifying charity in the same year in which you exercised the options and within 30 days of the exercise date. You will receive a donation tax receipt for the fair market value of the donated securities.
- If you turn age 71 during the year, make your final RRSP contribution before the end of the year. You cannot make contributions to your RRSP after the end of the calendar year in which you turn 71.
- If you are still working and will turn age 71 during the year, consider making an RRSP contribution in December before you have to convert your RRSP to a RRIF. Your contribution should estimate the amount of RRSP room you would receive in January of the following year. You will be over-contributed for 1 month and need to pay a 1% penalty on the funds you over-contributed, but the benefit of tax-deferral and compounding growth in the RRIF may outweigh the penalty.
- If you are over age 71 and have unused RRSP contribution room, you can contribute to a spousal RRSP, without penalty, if your spouse is age 71 or younger.

- If you are considering purchasing new mutual funds, consider waiting until after the funds' distribution date to avoid paying tax on year-end distributions.

Year-end Allowances for Weekends or holidays

For certain deadlines, if the due date falls on a weekend or a public holiday recognized by the Canada Revenue Agency (CRA), your payment or filing will be considered to have been made on time, if the CRA receives it or it is postmarked on the next business day. For more information, visit [http:// www.cra-arc.gc.ca/dates-ind](http://www.cra-arc.gc.ca/dates-ind).

Conclusion

This publication is not intended as nor does it constitute tax or legal advice. Readers should consult a qualified legal, tax or other professional advisor to implement a strategy.

Mark Ryan is an advisor with RBC Wealth Management, Dominion Securities (member CIPF) and can be reached at Mark.Ryan@rbc.com.