SLATER FINANCIAL GROUP

Slater Chronicles December 2024

As we wrap up another successful year, we want to express our gratitude for your continued trust and partnership. It's been a pleasure supporting you on your financial journey, and we look forward to a prosperous year ahead. We wish you and your loved ones a joyful holiday season and a Happy New Year filled with health, happiness, and success!

Mark

Although tax planning is a year-long effort, there are several key strategies you can implement before the year's end that will help reduce your tax bill come April. Let's explore how two of our clients, Michelle and Jack, are taking proactive steps to minimize their taxes. Always talk to a tax professional about what is best for you and your circumstances before making any big decisions.

YEAR-END TAX TIPS

Michelle's Strategy

Michelle, a successful professional, received a well-deserved promotion and pay raise this year. While she's excited about her career growth, she expects a higher tax bill due to her increased income. Let's explore how she can proactively reduce her taxes through **charitable donations** and **maximizing her contributions to her registered plans**.

1. **Charitable Donations**

Michelle plans to donate to her favourite registered Canadian charities. These donations not only support causes she values, but they also generate official tax receipts that she can use to claim **charitable donation tax credits** on her tax return.

This strategy allows Michelle to lower her tax liability while positively impacting her community. The more she gives, the bigger the impact on both her community and her tax bill. *Please note that to receive a tax receipt for this year, you must donate to a registered Canadian charity by December 31, 2024.*

2. Registered Plans

Additionally, Michelle can top up her **Registered Retirement Savings Plan (RRSP)**, reducing her taxable income by the amount she contributes. Since her income is higher this year, contributing to her RRSP will create significant tax savings while helping her build retirement security. A higher income and any bonuses will also generate more contribution room in her RRSP for 2025. While the deadline to contribute for this year is March 1, 2025, contributing before year-end allows her to take advantage of tax-deferred compounding growth. The amount she contributes this year will be deducted from her yearly income, significantly lowering her taxes come April.

As Michelle's family grows, so does her dream of owning a home. She opened a **First Home Savings Account (FHSA)** when they were first introduced in 2023, and contributed $3,000. FHSAs offer tax advantages similar to RRSPs, meaning contributions are **tax-deductible** and reduce her taxable income. Additionally, savings within the account **grow tax-free,** much like a TFSA. FHSAs have a yearly contribution limit of $8,000 and a lifetime limit of $40,000. Since Michelle only contributed $3,000 last year, she can carry forward the unused room into this year. By contributing $13,000 before year-end, she will reduce her 2024 taxable income by that amount while maximizing her tax-free savings. When she finds her dream home, Michelle can withdraw funds from her FHSA **tax-free** to cover eligible home purchase costs, including her down payment and other closing expenses. This tool can help her get closer to achieving her dream of homeownership while taking advantage of valuable tax savings along the way. Learn more about FHSAs here.

Michelle can also top up her **Tax-Free Savings Account (TFSA**) to take advantage of the $7,000 yearly contribution limit. She can also contribute enough to her family RESP to max out the **Canadian Education Savings Grants (CESGs)**.

By combining these strategies, Michelle can make a positive impact in her community, benefit from tax-deferred growth, keep working towards her long-term goals, and minimize her taxes owed. This approach highlights how a thoughtful year-end tax plan can create lasting benefits that extend well beyond tax season.

Jack's Strategy

Jack, a successful dentist, had an exceptional year—not only in his practice but also in his corporate investment portfolio, where he realized $300,000 in capital gains. With the newly increased capital gains inclusion rate of two-thirds for corporations (and for individuals with gains exceeding $250,000), Jack anticipates a significant tax bill. We suggested that Jack take advantage of two powerful tax strategies: **loss-selling** and **donating appreciated securities in kind** to reduce his corporation's taxes.

1. Tax-Loss Selling

We helped Jack identify several securities in his portfolio that have depreciated in value. By selling these securities at a loss, he can apply those losses against his realized capital gains. In his case, selling enough underperforming investments could reduce his total capital gains by $100,000. This strategy, known as **tax-loss harvesting**, allows Jack to offset gains with losses, lowering the amount subject to the capital gains tax. Learn more about tax loss selling to avoid the superficial loss rules.

2. In-Kind Donations

Next, Jack can donate $200,000 worth of **appreciated securities** to his Donor Advised Fund. When securities are donated in kind (instead of selling them first and donating the cash), it eliminates the capital gains tax on the donated amount and Jack would pay **no capital gains tax** on the donated securities.

Additionally, Jack's accountant will create a credit in the corporations Capital Dividend Account (CDA) equal to the amount of capitals gains on the shares that were donated. In the future, Jack can withdraw this amount from the corporation tax-free as a capital dividend.

By using these two strategies, Jack can reduce his taxable gains by $100,000 and eliminate the capital gains on the securities he donated. He would also receive a charitable tax receipt for $200,000 to reduce his corporate taxes owing while making a meaningful contribution to his favourite charities. In addition, he created a tax-free dividend that he can take out of his corporation now or in the future.

Working with Your Advisor

These strategies can significantly mitigate taxes owed come spring, but everyone's situation and circumstances differ. Please speak to us or a tax professional before making any big decisions.

From all of us at Slater Financial Group, thank you for your trust and partnership this year. Wishing you a holiday season full of joy and prosperity and a New Year filled with new possibilities and success.

Reach out to us

At Slater Financial Group, we're happy to speak with you or your family members, friends or colleagues trying to navigate many of these details. In addition, our clients have the benefit of tapping into the many resources available to us here at CIBC.

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About us

Your Trusted Partner in Wealth Management: *Empowering Families, Enriching Futures*

Since 1995 we have made ourselves available to act as a sounding board for anyone who may need urgent financial advice or just a second opinion. We have been able to help many families by providing comprehensive wealth management services. As a result, our business now comes to us almost exclusively through referrals.

So, if you're approached by a friend, neighbour or family member, or if you know someone who needs a sympathetic ear, please let them know we always have time to listen, and do our best to help. By making ourselves available this way, we're striving to make people's financial lives less stressful and better, knowing that we're *"doing well by doing good."*

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