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# Tax Tips

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***Part 2 in our series of articles geared towards an early start to planning for your 2010 taxes. These articles are targeted to presenting what you need to know in advance to make the best use of available opportunities.***

## PART 2: Tax Tips you need to know now, before the year ends!

***In this article we cover subjects such as charitable donations, tax-free savings account contributions, RRSP contributions, RRIF's mutual funds and investment expenses .***

### ❖ Donations to Charity

You get a 2010 tax receipt if you make a donation to a registered charity by December 31. Consider donating publicly traded securities or mutual funds that have appreciated in value, instead of cash. You will receive a donation receipt equal to the value of the investment at the time of the donation and any resulting capital gain is exempt from tax.

### ❖Contribute to a tax-free savings account (TFSA)

Effective January 1st, 2009, annual contributions of up to $5,000 can be made into a TFSA. Investment income earned and withdrawals from a TFSA are tax-free; giving you the financial flexibility to save for specific goals without the impediment of taxes.

### ❖Make your RRSP contribution on time

The RRSP contribution deadline is March 1st, 2011 and the RRSP contribution limit for 2010 is $22,000. Make your contribution as soon as possible as you will have more money working for you sooner. Your latest Notice of Assessment does confirm your available RRSP contribution limit. Remember that any excess contribution exceeding $2,000 is subject to a 1% per month penalty tax.

### ❖Unused RRSP contribution room

If you have not contributed the maximum permitted in prior years to your RRSP, you would have unused RRSP contribution room carried forward to 2010. You may want obtain a loan to top up your RRSP to the maximum possible in order to take advantage of the benefits RRSPs have to offer.

### ❖Contribute to a spousal RRSP if your spouse passed away in 2010

Making a final contribution to a spousal RRSP by March 1, 2011 will save you taxes if your spouse or common law partner passed away this year with unused RRSP contribution room - the RRSP contribution can be deducted against income on the deceased's final tax return.

### ❖Base RRIF withdrawals on age of younger spouse or common law partner

If you will be 71 by the end of 2010, you must



convert your RRSP to a RRIF and begin drawing an income from your RRIF. You have the option to base the minimum RRIF withdrawal on the age of the younger spouse.

This will keep your annual RRIF income as low as possible each year and allow you to keep more in your RRIF thus deferring tax longer. Missing the deadline will cost you tax on the entire sum.

### ❖ Age 65

Once you are 65 years of age, you may convert an RRSP to a RRIF or life or fixed-term annuity to become eligible to split 'pension' income with a spouse , resulting in lower taxes for the family. Even if you withdrew a small amount this year you to claim a federal pension income amount tax credit on the first $2,000 of eligible income.

### ❖ Mutual funds- year end

It is not a good idea to buy mutual funds outside of a registered savings plan if it's near the end of the year. You may receive a taxable distribution of any dividend and interest income, or capital gains on the sale of securities, that the fund recorded during the entire year.

### ❖Investment expenses

To be eligible to deduct any investment related expenses on the 2010 tax return, the expenses must be paid by December 31, 2009. These expenses include interest paid on money borrowed for investment purposes, professional accounting services for tracking rental or business income, investment counselling fees for non registered accounts and safety deposit box rental fees.

*The information presented is only of a general nature, may omit many details and special rules, is current only as of its published date, and accordingly cannot be regarded as legal or tax advice. Please contact our office for more information on this subject and how it pertains to your specific tax or financial situation.*

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