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# The Learning Kurve

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## Your Mid-Year Checkup!

It's time for your mid-year check-up. Open up your books and let's take a look at some vital stats:

### Has your TFSA been topped up?

Adult Canadian residents are eligible to invest up to $5,500 annually into a tax-free savings account (TFSA). Although the contributions themselves are not tax-deductible, any income earned in the TFSA is tax free, and withdrawals are tax free. Consider the following tips:

- ✓ Check how much room you have, and consider topping up your contribution;
- ✓ Unused TFSA contribution room is carried forward and accumulates in future years. If you have never opened up a TFSA account, your 2013 cumulative contribution room is $25,500;
- ✓ Consider investing as much as you can as early as you can to maximize your benefit from the compounded tax free interest. If cash flow is tight for a lump sum payment, consider setting up an automatic monthly debit from your bank account into your TFSA;
- ✓ If you decide to switch to a higher yielding investment vehicle, ensure you structure this as a direct transfer between investment vehicles. Withdrawals and re-contributions in the same year are not netted and could be subject to a penalty tax;
- ✓ Consider contributing for both adult children and non-income earning spouses. Unlike the RRSP, prior year earned income is not a requirement for TFSA.;
- ✓ Beware of over-contribution penalties.

### Have you been neglecting your RRSP?

Canadian residents are eligible to invest up to 18% of their prior year earned income annually (up to a maximum for 2013 of $23,820) into a Registered Retirement Savings Plan (RRSP). The contributions are tax-deductible, any income earned in the RRSP is tax deferred, and you are taxed upon withdrawal. Consider the following tips:

- ✓ Check how much room you have, and consider topping up. Unused RRSP contribution room is carried forward and accumulates in future years. Your 2012 notice of assessment will provide you with your contribution room;
- ✓ Consider investing as much as you can as early as you can to maximize your benefit from the compounded growth;
- ✓ Check your investment vehicles. Compare the market and structure your investment portfolio so as to maximize long-term growth within your RRSP;
- ✓ Beware of over-contribution penalties.

### Markets are significantly up – have you considered a Capital Dividend Account (CDA) election?

Your corporation's CDA includes the non-taxable portion (currently 50%) of the company's capital gains net of capital losses. A tax-free capital dividend can be paid out to the extent of your CDA balance through a special election. Consider the following tips:

- ✓ Pay out the CDA as it accumulates. Because CDA created by capital gains will be eroded by capital losses, it is advisable to pay out capital dividends on a timely basis;
- ✓ Ideally, you should realize the capital gains, pay out the CDA and then realize any capital losses;
- ✓ Structure capital dividend distributions so that they are directed to the shareholders that will benefit the most from their tax-free nature as not all shareholders will benefit equally from capital dividends;
- ✓ Consider donating publicly traded shares, as 100% of the gain is added to the CDA. The converse is also true for losses, so avoid donating shares with losses.

### Are your tax installments up to date?

Ensure you are up to date on any instalment payment requirements for your personal and corporate income taxes and commodity taxes.

- ✓ Generally, you have to pay your personal income taxes in quarterly instalment payments if your net tax owing is greater than $3,000 ($1,800 for Quebec residents);
- ✓ Generally, you have to pay your corporate income taxes in instalment payments (monthly or quarterly) if your federal or provincial tax is greater than $3,000;
- ✓ Generally, harmonized sales tax (HST) registrants have to pay their taxes in quarterly instalment payments if their net tax owing is greater than $3,000;
- ✓ You may be charged interest on missed instalment payment(s).

### Mid-year means summer is here! In addition to elevating your vitamin D levels, have you considered the following summer activities?

- ✓ When making travel plans, consider looking into tax-deductible conferences. You can deduct the cost of attending two conventions or conferences a year as a business expense, as long as the conventions you attend are directly related to your business, and the costs are reasonable and not capital in nature. Special rules apply to restrict the deductibility on meals and entertainment expenses at conventions;
- ✓ When booking summer camps, remember the cost of summer camps may be tax deductible as child care expenses;
- ✓ Take advantage of the slower summer pace and do a mid-year compilation of tax information - you will thank yourself at year end! Suggestions include updating your travel mileage log, catching up on your bookkeeping for the first half of 2013, and printing a copy of any donations, fitness and arts tax receipts to date and filing all in your 2013 tax folder. Don't forget about medical receipts as well.

### Turning 60 or 65? Have you applied for CPP and / or OAS?

- ✓ You can begin receiving your CPP retirement pension anytime after age 60. This benefit is available, if applied for, to most Canadians who have contributed to the CPP and who meet the eligibility requirements. Your monthly payment is smaller if you begin receiving it before age 65, and larger if you take it after age 65;
- ✓ You can receive Old Age Security pension beginning at age 65. This monthly benefit is available, if applied for, to most Canadians 65 years of age or over who meet the Old Age Security legal status and residence requirements.

### Planning to move? Are you aware of deductible moving costs?

If you are moving to a new home within Canada for the purposes of attending a full-time basis qualifying educational institution, or starting a new job (or relocation), or a business, and your new home is at least 40 km closer to your school/workplace than your previous home, you may be eligible to claim your moving costs.

- ✓ Expenses you can deduct include transportation and storage costs for your household goods, travel expenses such as vehicle costs, meals and accommodation costs for up to 15 days, any cancellation fees for terminating a lease, any legal fees for the purchase of your new home and for the costs of selling your home (real estate commissions, advertisement fees, lawyer fees);
- ✓ Be sure to keep all records and receipts of all moving costs and expenses to support all your claims.

### Have you or your loved ones experienced any physical or mental health deterioration?

If so, consider applying for the disability tax credit. Individuals who have a severe and prolonged impairment in physical or mental functions may be eligible for the DTC, a non-refundable tax credit used to reduce income tax payable. This credit is transferable to a spouse or supporting person. A qualified practitioner is required to complete a prescribed form and necessary filing and approval must be obtained.

### Is your will up to date?

Regardless of your financial or physical health, you should ensure you have your will and powers of attorney for finances and health in place and updated regularly for changes in your family circumstances.

### *This'n That at Logan Katz*

**Summer Break!!!**

We are taking a break from the Learning Kurve for the summer. We hope that everyone has a relaxing two months. See you in September!