

# Chris's Story - a tax planning case study

Chris, a former consultant, has a corporate business structure in place with a taxable income of \$60,000 per year. His actual tax payable is \$4,000 or less. He has 2.5M in investable assets including RSPs, TFSAs, and nonregistered investments. His biggest source of income is collected from dividends from individual Canadian stocks that he owns.





#### WHAT WE FOUND

Chris's income or cash flow requirements are such that it could put him in a very high marginal tax rate. Each fall, the wealth management team takes information we know to be true at that point in time and we build a mock income tax plan and annual wealth plan. This is done every year to ensure that Chris is kept within a reasonable tax bracket. Chris's result is that his tax payable is quite low as he has several tax planning opportunities to take advantage of each year that are incorporated into his plan.

#### AT A GLANCE

Here are some details that are included in Chris's strategy each year to ensure his tax payable is as low as possible. By working with a wealth management team and preparing the mock income tax return, Chris is well prepared for the tax season, bringing him the best results each year.

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## CHRIS'S TAX STRATEGY

• He incurs enough taxable income to receive a refund of an alternative minimum tax balance outstanding to him.

• He makes large enough withdrawals from RSPs to shrink his RSP balance to avoid being forced to take a larger withdrawal later resulting in a possible OAS clawback.

• He pays enough dividends from his company to recoup his Refundable Dividend Tax on Hand (RDTOH) balance.

• He keeps his income low enough so he doesn't have to pay back his Old Age Security (OAS).

• He withdraws his spending money from his nonregistered account during the year to allow for proper tax planning at year-end.

• He makes a large annual donation of shares to his favorite charity, reducing his capital gains on the stock sale.

• He benefits from Fee Deductibility by using a portfolio management service.

• He uses corporate class investments inside his investment holding company to minimize the distributions and tax payable on his corporate investment portfolio.

• He maximizes his Tax-Free Savings Account each year to reduce taxes on his non-registered investments.

### RESULTS

With the help of the wealth management team at Assante Hydrostone, Chris is confident that his finances are structured in the most tax-efficient way possible so he can save more money for retirement without incurring a hefty tax bill.

The case study mentioned in this blog is based on actual scenarios but names and identifying details have been changed to protect the privacy of individuals. This case study is provided for illustrative purposes only to provide an example of our process and methodology. The results portrayed is not representative of all of our clients' experiences. Assante Capital Management Ltd. ("ACM"), and Assante Financial Management Ltd. ("AFM") are indirect, wholly-owned subsidiaries of CI Financial Corp. ("CI"). The principal business of CI is the management, marketing, distribution and administration of mutual funds, segregated funds and other fee-earning investment products for Canadian investors through its wholly-owned subsidiary CI Investments Inc. Wealth Planning Services may be provided by an accredited Assante Advisor or Assante Private Client, a division of CI Private Counsel LP. ACM is a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. AFM is a member of the Mutual Fund Dealers Association of Canada ("MFDA"), and MFDA Investor Protection Corporation. This material is provided for general information and is subject to change without notice. Every effort has been made to compile this material from reliable sources however no warranty can be made as to its accuracy or completeness. Before acting on any of the above, please make sure to see a professional advisor for individual financial advice based on your personal circumstances.