

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 non-registered 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.



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 non-registered 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.