# Quarterly Exchange

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# The Canadian tax filing checklist

**When you hear the words "tax time," do you cringe? Or see a once-a-year opportunity to improve your financial picture? We challenge you to roll up your sleeves and see if any of the ideas below could help you save money this tax season.**

The world is awash with tips and hacks on saving and growing your money. But Georgia Swan, Tax and Estate Planner, TD Wealth, wants you to know that tax time may represent the year's most overlooked opportunity to make a positive change in your finances.

"Making sure you have looked at all the credits and things that you're entitled to is part of being in control," Swan says. "Benefits like the GST tax credit, the child tax credit, for example. Ensuring that you have applied for all of the different credits and deductions that are relevant can save you money and improve your situation."

She also points out the importance of being organized and methodical: "I think it goes without saying that actively planning your approach to tax filing is essential. Unfortunately, we get into situations where people are sort of scrounging at the last minute to scrape together a tax return."

In MoneyTalk's annual tax checklist, we bring you up to date with recent tax changes you should know about and remind you of some key credits and deductions that may be available to you. As Swan emphasizes, the more effort you put into organizing yourself for tax filing, the more money you could potentially save.

Getting organized and finding receipts may not sound alluring but these are the savvy money moves could outrank any tricks you may hear about. Before you file, check out our helpful guide.

## What's new this tax season?

**"Working from home" expenses:** For the 2023 tax year, the federal government has removed the "flat rate method" of claiming home office expenses. Introduced during the COVID-19 pandemic, it offered a convenient way for employees to claim expenses incurred while working at home. You can still submit home office expenses, but now must submit form T2200 and have your employer document that you are required to work from home.

**First Home Savings Account:** The FHSA was introduced last year as a way to ease the path toward home ownership for many Canadians. If you opened an FHSA, remember to claim your contributions — to a maximum of $8,000 — on your tax form which can help lower your taxable income.

**Alternative Minimum Tax (AMT):** The Alternative Minimum Tax is designed to prevent high income earners and trusts from paying little or no tax. Nothing changes in 2023 but starting in 2024, it is expected that the previously proposed AMT changes will come into effect. The tax rate will increase from 15% to 20.5% and the basic AMT exemption amount will increase from $40,000 for individuals to approximately $173,000 (the threshold of the fourth federal tax bracket in 2024). This will not impact the large majority of Canadians but for those who use capital gains as a main source of income, there may be significant financial and tax planning needed to manage this change. It may be worth consulting a financial advisor or a tax lawyer.

**New reporting rules for trusts:** Recent government legislation has stated that all trusts must file a T3 Trust Income Tax and Information Return for any tax year ending after December 30, 2023 unless specific conditions are met. While there are no new tax consequences, the new rules require that the beneficiaries of the trust be documented. Swan says most people will need professional help filing their T3 Return and that may mean budgeting extra fees for your accountant or lawyer. Swan points out that many Canadians could fall under these reporting rules without realizing it. For example, family members who share a bank account could actually be seen by the CRA as entering a type of trust called a Bare Trust. While the CRA indicated that Bare Trusts that file late for the 2023 year will not incur penalties, you should consider seeking professional advice if you think you might be impacted.

"A lot of people are going to get caught unawares by this," Swan says. "Unfortunately, this is not something that people can do themselves: It's a question of law."

For more information, check out New Trust reporting rules: surprising ways you could be impacted.

**Multigenerational Home Renovation Tax Credit**: The intention of this tax credit is to help families build a separate unit for an elderly relative or family member with a disability in their home. The credit is sizable — $7,500 or 15% on renovations up to $50,000 — so it could be well worth pursuing. The CRA has specific requirements both for the renovation and who qualifies for it. For more information, you should consult your tax planner or see the CRA's information page.

**New Tax-Free Savings Account limit for 2024**: The annual contribution limit rises to $7,000 for 2024. Although this is not strictly a tax return item (you do not need to report your TFSA contributions on your tax return), you may want to consider how to best allocate your contributions between an RRSP and TFSA for optimal tax efficiency. To find out more about your personal RRSP limit or to check your TFSA contribution room, you can log into My Account on the CRA website.

## When are the tax deadlines? What are the new limits and thresholds?

### The 2024 filing deadline is Tuesday, April 30

That's the filing deadline for those who are not self-employed. For those with self-employment income, the tax filing deadline is Monday, June 17 (because June 15 falls on a Saturday). It's important to note, however, that any amount owing on your taxes must still be paid on or before April 30.

### When do I get my T4 slip and other documentation?

The CRA says T4s should be available by the end of February. T3s (Statement of Trust Income Allocations and Designations) and T5013s (T5013 Statement of Partnership Income) slips are generally sent before the end of March. If you have changed jobs or moved or haven't received proper documentation to complete your tax form, check out these CRA instructions.

### What is my Basic Personal Amount (BPA) limit?

The BPA is a non-refundable tax credit that can be claimed by all individuals. This year the BPA is set at $15,000. Starting in 2024, this amount will be indexed for inflation (a new innovation this year).

**How much can I contribute to my RRSP?**
Your annual RRSP contribution limit is 18% of your 2023 earned income, to a maximum of $30,780, less your pension adjustment if applicable, plus any unused RRSP room from previous years. RRSP contributions made up to February 29, 2024 will be attributed to your 2023 limit. Planning for a strong contribution can be an informed tax move, says Swan, as it could help reduce your 2023 taxable income today while saving money for retirement down the line. She points out, however, that withdrawals from a Spousal RRSP could be subject to attribution rules if they are withdrawn within three taxation years of the contribution. That means the withdrawn funds would be included as taxable income for the contributing spouse.

To find out more about your personal RRSP limit, you can log into My Account on the CRA website.

**What are the new tax brackets?**
Tax brackets can be important for tax planning, particularly if you are at the lower end of a bracket. Through credits and deductions, you may be able to push your taxable income into a lower taxable bracket. Contributing to an RRSP also lowers your taxable income. The following figures may help you decide how much more you can contribute to your RRSP for the 2023 tax year.

**Federal income tax rates for 2023**

| Tax rate | Taxable income threshold |
|---|---|
| 15% | on the portion of taxable income that is $53,359 or less, plus ... |
| 20.5% | on the portion of taxable income over $53,359 up to $106,717, plus ... |
| 26% | on the portion of taxable income over $106,717 up to $165,430, plus ... |
| 29% | on the portion of taxable income over $165,430 up to $235,675, plus ... |
| 33% | on the portion of taxable income over $235,675 |

**What are the maximum pensionable earnings?**
The maximum annual pensionable earnings increased to $66,600 for 2023, with the basic exemption amount remaining at $3,500.

## Credits and deductions: Find out what applies to you

Tax deductions lower your taxable income while tax credits lower the tax you must pay. There are a host of different credits and deductions available but you can do your own research (or work with a tax accountant or lawyer) to ensure you are claiming everything you can, says Swan. Here are some notable credits and deductions that are available.

**Child Tax Benefit:** This helps manage the costs of raising a child and is available to those who are primarily responsible for caring and raising a child.

**Disability Tax Credit:** For those with mental or physical impairments and their families.

**Canada Training Credit:** This helps with the cost of eligible training and tuition fees. It is available to people between the ages of 26 and 66 years old at the end of the tax year.

**Canada Caregiver Credit:** This is available to help offset costs associated with supporting a spouse or common-law partner with a physical or mental impairment. The credit is also available for those supporting some family members. Check here for eligibility.

**Moving expenses deduction:** This is available if you moved for employment purposes or to run a business, though there are stipulations. You can check eligibility here.

**Medical expenses:** Swan says there is a myriad of tax credits and deductions available for medical services, products and even some special diets. Many require a prescription, and some involve submitting the Disability Tax Credit Certificate (which Swan notes can take several months to process, so it's best to submit it well before tax time). In some cases, snowbirds who incurred costs

south of the border may be able to claim certain medical expenses.

### If you purchased your first home in 2023

If you purchased your first home in 2023 you may claim up to $10,000 of your purchase via the First-Time Home Buyers' Tax Credit (HBTC) and receive a return of up to $1,500. To be eligible, the home must be registered in your name or that of your spouse or common-law partner, and the home must be located in Canada. While this tax credit typically applies to first-time home purchases, it could also apply if this is the first home you've owned during the preceding four years (plus the year of acquisition). Visit the CRA website for more information and eligibility requirements.

### The Canadian Dental Care Plan

This new program is not strictly an item you need for tax filing but you should be aware of it. It's for families earning less than $90,000 with children who may not have access to private dental insurance. Tax-free payments to help subsidize dental expenses are available for each eligible child.

The program is also rolling out now for older adults.

More information is available on the CRA site.

### If you hold U.S. assets

If you hold certain kinds of foreign property, with a combined cost of more than CDN$100,000 (including securities and rental properties), you'll need to file a T1135 form with your tax return. The key word here is "combined." You must report the total cost of all foreign assets, not each asset individually. Swan reminds people that the value needs to be based on the exchange rate used when the asset was acquired, rather than the current exchange rate.

As well, if you rent out your foreign property, you must file tax returns in both countries. Speaking to a cross-border tax specialist could help ensure you file properly and on time. The deadline for U.S. filing is Monday, April 15.

### A closing thought on tax filing

Swan says that people should reframe tax time from being something they dread to something that can have a beneficial impact on their money situation.

"I think that is an unfortunate misunderstanding," she says. Many of us think we are just filling an annual form. But we should be making sure that we are claiming everything we qualify for, Swan says.

"People have to realize there is money on the table in this situation, but you have to recognize it's there first. Then make an effort to get everything you are owed."

- Don Sutton, *MoneyTalk*

# Your future called: Can your RRSP help ease retirement anxiety?

**While 2024 could feel like another tough year for some, investing in an RRSP is one way to make a positive impact on your finances today while socking away benefits to reap in retirement.**

If you've been feeling anxious about how much you're saving for retirement, you're not alone. A recent TD survey found 43% of Canadians are not confident they can retire as planned. Nearly three-quarters of respondents cited the rising cost of living as a stumbling block to achieving their financial goals, causing almost half to say they wouldn't contribute to their retirement savings this tax year.[1]

"That reaction is completely understandable," says Varun Bhagwat, Senior Financial Planner, TD Wealth. "But if people consider their long-term goals and think about dealing with the current economic situation, they'll see that contributing now could be a more effective way of achieving what they want in retirement."

In fact, Bhagwat says that the high cost of living and rising mortgage payments are exactly the reasons why people should consider contributing to their Registered Retirement Savings Plan (RRSP): Growing lifestyle expenditures in the future mean people need to save now to meet those financial challenges later. The short-term economic shocks are nasty but a well-rounded financial and investment plan can help to insulate you.

As well, missing an opportunity to contribute to your RRSP in one year means skipping out on potential investment growth and it could be difficult to make that money back in other years, he says.

Bhagwat makes the case for dealing with financial worries head on and managing your retirement plan proactively with RRSPs as your foundation.

## Determine what you need

Before you start planning how best to use your RRSP, you may want to figure out how much you need to save to reach your goals. To start, a financial advisor can help you add up your expenses to see how much you're likely to spend in retirement. But first there are decisions to be made and future goals to think about.

Your upcoming retirement lifestyle is contingent on what you want to do once you stop working: Those options (and the expenses attached) are broad, from puttering in the garden to running a small business. If you don't make future plans (or at least start thinking about your plans), you won't really know what kind of money you should be saving, says Bhagwat.

Apart from planning what you would like to do, many people now have family obligations which will follow them into retirement, whether its supporting adult children or housing older relatives. Other factors to consider include the age you retire (later or earlier than 65?) and how long you think you might live (we're living longer and are healthier).[2]

There are also an abundance of questions a planner or advisor can answer outside of investments. They can be when it makes sense in your circumstances to take your Canada Pension Plan (CPP), your Old Age Security (OAS) or a corporate pension. You may also have tax or estate planning concerns. A financial planner or advisor can provide scenarios based on your personalized retirement goals to help determine not only how much you should be contributing to your RRSP but also what other strategies you should be undertaking.

## Building flexibility into your plan

As the popular saying goes, “Life is what happens while you’re busy making other plans.” In other words, what you think your retirement might look like could be different from what unfolds. Those surprises can include suddenly gaining or losing income, having a health problem, spontaneously deciding to move closer to your grandkids, or even picking up some employment that is fulfilling and enjoyable.

That’s all to say that your plan should be re-evaluated at least annually with your planner or advisor to take into account the changes in your life which you have control over, external circumstances like tax changes that you have to adapt to and emergency situations (think COVID-19) which are unforeseen.

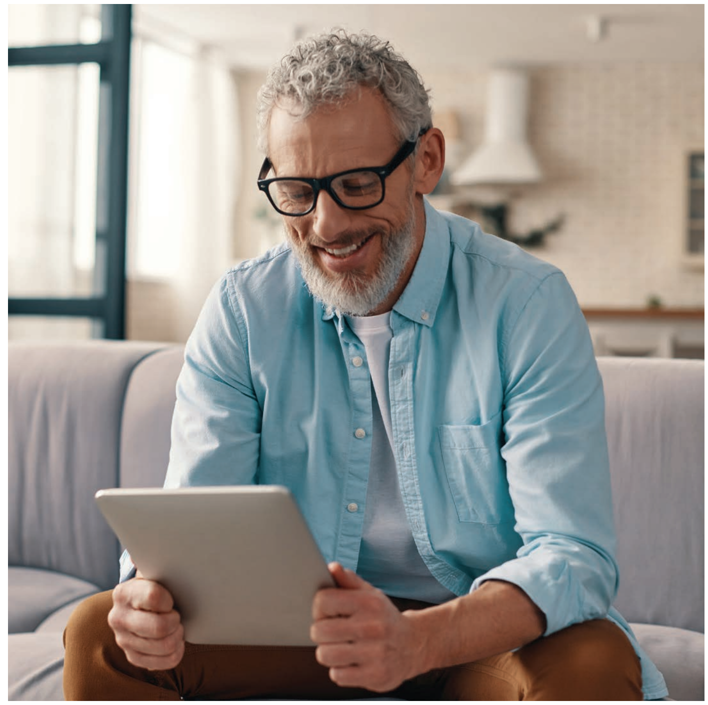
The RRSP itself offers flexibility, too. The maximum annual contribution limit is 18% of your earned income (with certain limits) so that if you have a large bonus, commission or have received an inheritance, stowing those funds into investments within your RRSP can be manageable.

Creating a flexible plan can be critical, says Bhagwat. That means one that is capable of rolling with the punches of a volatile market. “I have yet to come across a client who was not able to meet their long-term goals because we had one year where markets dropped and inflation went up,” Bhagwat notes.

## Why an RRSP can be the foundation for your savings plan

The ability to lower your annual net income and receive a tax refund may be the main selling point of an RRSP for many people: Let’s face it, getting a sizable cheque from the government is always gratifying (even if we secretly know that it’s actually our own money, just held back).

But the main benefit is that the compounding interest of the investments within the RRSP can be



the foundation of your retirement plan: It’s a large contributing factor to your lifestyle as you reach retirement age. If you’re young, retirement is so far away that the considerations and worries of that time seem small. In fact, your RRSP may also seem puny ... at first. But with regular contributions and the power of compounding over time, it can accumulate (tax-deferred) so that when retirement time comes, you may have a sizable nest egg.

Another benefit: RRSPs offer couples the option to split their income and lower their overall tax bill with a spousal RRSP account. This allows the higher-earning partner to contribute to the lower-earning partner’s retirement savings while deducting the contribution from their own taxable income.

Most financial institutions make it easy for you to automatically direct a certain portion of each paycheque into your RRSP, something you can easily set on your investing account or with your advisor. Automatic contributions make it much easier to save no matter what else is happening around you. Your investments will also have more time to grow than if you delay until the contribution deadline, he adds. “If you pay yourself first, you aren’t tempted to spend that money,” says Bhagwat.

## Why working with an advisor can be helpful

If you don’t already have an advisor, it might be time to get one. A financial planner can update your plan to reflect your current asset base, income and expenses, and project how that translates into income in retirement, as well as help you decide when it’s best to retire. “Unless you put this on paper and input the actual numbers, you can't say whether you're going to be OK or not," Bhagwat says.

A planner can also offer solutions tailored to your circumstances. They can ensure your asset allocation remains consistent with your risk tolerance and rebalance your investments periodically. Such expert guidance could help stabilize your financial outlook when inflation or market volatility happens.

When you have a plan in place and investments in an RRSP, your retirement savings are prepared if a financial storm hits.

"People are a little more nervous today about meeting their long-term goals, and this is mainly due to rising inflation and volatility in investment markets," says Bhagwat. "But these are exactly the moments when you have to make a sound plan and pay attention to it."

- Michael McCullough, *MoneyTalk*

[1] "43% of Canadians are not confident they will be able to retire when they initially planned: TD Survey, TD Media Room, Dec. 5, 2023, accessed Jan. 21, 2024, td.mediaroom.com/2023-12-05-43-of-Canadians-are-not-confident-they-will-be-able-to-retire-when-they-initially-planned-TD-Survey

[2] Health of Canadians, Statisitics Canada, Sept. 13, 2023, acessed Jan. 23, 2024, www150.statcan.gc.ca/n1/pub/82-570-x/82-570-x2023001-eng.htm

# Does your Power of Attorney include pink nails?

**A Power of Attorney allows decisions about your basic care and finances to be made by another person. But what about the things that make life worth living? Here's how to document your personal lifestyle choices in your POA.**

Would you include a weekly manicure in your Powers of Attorney (POA) documentation? Or insist on seeing your local hockey team play?

POAs help ensure we receive the necessities of life in case of incapacitation. These requirements broadly include medical support and the means to pay for it. But it's become evident that lifestyle items documented in our POAs are as important to our day-to-day happiness — right down to keeping pink nails shining.

According to Tannis Dawson, Vice President, High Net Worth Planner at TD Wealth, POAs are constructed to manage a wide range of situations, though many of us place the emphasis on high-level support. For example, we might employ a POA to care for someone who has a catastrophic medical condition and needs a major redeployment of their money for their ongoing care.

But what Dawson wants everyone to know is that POAs can support our lifestyle choices when medical problems narrow our routines even temporarily. If people are dealing with age-related problems concerning mobility or memory issues, they can still lead active lives with some support. There is now an awareness of how important mental health is to older adults and how vital it is to continue to socialize throughout life — that's where a well-written POA can help as well.

For instance, in the case of cognitive decline, where someone can no longer do their own banking, there may still be activities they would continue to enjoy: A POA can ensure that a regular visit to the spa stays on the calendar. It can also help ensure birthday gifts to grandkids keep flowing.

If it's an activity that makes life worth living, then, documenting these needs can be crucial.

"Many clients are providing more details in their POA to ensure their regular massages or eyelash extensions, or whatever is important, are continued if an attorney needs to step in and take care of their affairs," Dawson says.

"A Power of Attorney can be as important as a Will," says Dawson. It's a document that helps to make your lifestyle wishes clear even if you are temporarily incapacitated. Yet only 40% of Canadians have Powers of Attorney drawn up and fewer still may have thought about exactly how they want to be taken care of when the decisions are out of their hands.[1]

## How do Powers of Attorney documents work?

To identify your priorities when someone else is managing your money and your care, two documents need to be created, one for personal care and one for property. The POA for personal care typically addresses supported care, accommodation preferences, diet and end-of-life considerations. (Note, the POA for personal care is called a representative agreement or directive in some provinces, and that the scope of POAs vary across the country.) The POA for property provides directives for how and where your money and assets should be administered on your behalf.

And with the recent COVID-19 pandemic in mind, Canadians may have a heightened awareness of how they would like their funds used. The potential shortcomings of long-term care is a concern and people are addressing that in their POAs. "I see people adding what kind of level of nursing homes they would want to live in. They don't want to be put in the cheapest one and just left," says Dawson.

There can be complications if lifestyle choices are not included in your POA. Dawson points out that it is not unusual for one child within the family to be appointed the attorney. However, given family dynamics, it's also normal that family members may not see eye to eye when large sums of money and emotions come together. For example, if their mum is suddenly hospitalized, siblings could disagree on how her money should be managed under the new circumstances. But by providing clear instructions, the parent could pre-emptively support her attorney because the POA speaks for her. There may be less bickering at family gatherings if you have your wishes in writing.

Here are five questions Dawson suggests you ask yourself in preparation for creating your POA.

### 1. What activities are meaningful to you?

Think about the activities you currently enjoy — it could be a monthly book club meeting or season tickets to the local theatre that you attend with friends. Those outings may require added costs of transportation and possibly an aide to attend with you. Your POA can provide direction to the attorney about which activities contribute to the quality of your life.

### 2. Are there people who depend on you financially?

Ask yourself these questions: Do you support people? Do you help family? A well-written POA could mean your support does not have to stop once your financial affairs are administered by an attorney.

It is common for grandparents to help with education expenses for grandchildren. That could be regular contributions to a grandchild's Registered Education Savings Plan (RESP), payment for extracurricular activities like hockey or dance lessons or even private school tuition. Without clear documentation regarding your desire to continue this support, an attorney could suspend the payments.

The same is true for family gifts. If gifts of money are regularly made to children or grandchildren, it is helpful to have your attorney aware that you want this to continue.

### 3. Pets are family too. Is their care considered?

If there are animals in the household, providing clear direction about how much is reasonable to pay for a pet's care and who precisely is responsible for the animal can be helpful for the POA.

### 4. What charities do you support?

"Donations are a big consideration because a Power of Attorney cannot just make donations on the person's behalf without specific direction," says Dawson. If you make regular donations every year, identifying that this gifting is to be ongoing can be a useful part of your POA. Dawson also notes that this can be important because it is not unusual for family members to disagree about the merit of one charity over another. Providing clarity on the charities you choose means the payments are more likely to continue.

## 5. What level of long-term care do you desire?

Making clear where you wish to live if you can no longer live independently is important, but another factor to consider is what happens when there are no relatives around for regular visits, Dawson says. It is not at all unusual for family members to be scattered around the world, so POAs for property are beginning to include guidelines for paid companions to visit on a regular basis. Dawson says these requests needn't be complicated. Something simple like, "please hire someone a few hours each week to take me outside and sit," can make a difference to the overall experience of supported living.

## A well-written POA matters

Dawson emphasizes that the more details you have in your document, the easier it is for your attorney to know your wishes. In her experience, it is not unusual for family to have many opinions when someone important suddenly gets sick or becomes debilitated: A POA can help your family reduce the ambiguity about what you want this chapter of your life to look like. Speak to a lawyer about creating a POA that reflects the choices you desire.

- Susan Prince, *MoneyTalk*

[1] Canadians and their Money: Key Findings from the 2019 Canadian Financial Capability Survey, Financial Consumer Agency of Canada, Government of Canada, modified, Nov. 22, 2023, accessed Dec. 14, 2023, www.canada.ca/en/financial-consumer-agency/programs/research/canadian-financial-capability-survey-2019.html

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