

Year End Tax Planning CHECKLIST

As we approach the end of the year, it is prudent to reflect on various tax planning strategies that may be of benefit to you. Before implementing these strategies, be sure to discuss your specific situation with your financial advisor at Arbutus Financial.

Manage Your Income for 2005

- Depending on your situation, you may wish to increase or decrease your earned income for 2005. If you want make sure you're eligible to make the \$18,000 maximum RRSP contribution in 2006, your taxable income in 2005 will need to be \$100,000 — those who are self employed, for example, could give themselves a raise.
- On the other hand if you are expecting a bonus but want to keep yourself at a lower marginal tax bracket, speak to your employer about having bonuses deferred until January.

Consider Setting up a Home Office in 2006

- Employees who work from home more than half of the time can enjoy significant tax benefits – such as the ability to write off a portion of their monthly electricity and heating costs. If this situation applies to you, have your employer fill out the Canada Revenue Agency Declaration of Conditions of Employment ([Form T2200](#)) before the end of the year and you'll be able to start writing off some of your utility bills in 2006.

Capital Gains and Losses

- The end of the year is often a time to review one's non-registered investment portfolio and take profits. Are you carrying forward any capital losses from previous years? Do you have investments that have performed particularly well in 2005? If so, the end of the year may be a good time to sell those investments and trigger capital gains. You can then turn around and buy back the same investments, but at a new adjusted cost base.
- To make sure the transaction can settle before the end of the year, you should make the trade before Friday December 23rd.

Home Buyers Plan (HBP)

- Are you thinking about buying your first home and using funds from your RRSP to help make the down payment? Rather than make a withdrawal under the Home Buyers' Plan in 2005, think about waiting until January to do so.

- The HBP repayment schedule starts the second year following the year you made your withdrawals, so waiting until 2006 will mean that you won't have to start making payments until 2008.

Registered Education Savings Plans (RESPs)

- If you're considering making the maximum possible contribution to your child's RESP, you may wish to do so before year end.
- You would not be able to contribute a lump sum of \$8000 in 2006, but you could contribute \$4000 in December of 2005 and another \$4000 in January. Both of these contributions would also be eligible for the Canada Education Savings Grant.

Wait to Reinvest

- Do you have any non-registered GICs or bonds that are coming to maturity in late 2005? Think about waiting until January before you reinvest. For example, the accrued interest on a one year GIC purchased in December 2005 will be taxable in 2006 — by waiting until the New Year, you could defer those taxes until 2007.
- Non-registered mutual fund investors should also consider hanging back until 2006. Funds make taxable distributions at year end, and someone who buys in December will face a year's worth of taxes even though he or she has only held units for one month.

The Big RRSP Decision

- Did you turn 69 this year? If so, your RRSP days are over. Before the end of December, you'll have to decide if you want to roll your funds into a Registered Retirement Income Fund (RRIF), an annuity or a combination of the two — otherwise you could face having the full amount of your RRSP treated as taxable income for 2005!
- Did you turn 69 this year? Before you convert to a RRIF, you could make one last RRSP contribution for 2006. This will result in one more full RRSP deduction in 2006, even though you will be 70 years old. This contribution has to be made before December 31st, so be sure to contact us to learn more about this effective tax deferral strategy.