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Retirement Planning

Making the most of your retirement income and enjoyment

Tax basics – an update

- 2023 Personal Tax Credits
  - Federal personal amount maximum $15,000 reduces to $14,156 when taxable income exceeds $165,430. (Threshold to the fourth tax bracket)
  - Saskatchewan personal amount $17,661
  - Federal Eligible dependent amount $15,000. Reduces where income of the dependent exceeds $0 and is eliminated when income exceeds $15,000. A dollar for dollar reduction.
  - Saskatchewan credit for an eligible dependent $17,661. Reduces where dependent's income > $1,767 and eliminated where income > $19,428.

Eligible Dependent

- Definition
  - The dependent must be one of the following persons by blood, marriage, common-law partnership, or adoption:
    - your parent or grandparent,
    - your child, grandchild or sibling **under 18 years of age**
    - your child, grandchild or sibling **18 years of age or older** with an impairment in physical or mental functions

Eligible Dependent Credit

- If you did **not** claim an amount on line 30300 of your tax return, for a spouse or common law partner, you may be able to claim this amount for one dependent if, at any time in the year, you met **all** the following conditions:
  - You did not have a spouse or common-law partner or, if you did, you were not living with them, supporting them, or being supported by them
  - You supported the dependent in 2022
  - You lived with the dependent (in most cases in Canada) in a home you maintained. You **cannot** claim this amount for a person who was only visiting you

Age Amount for 65+

- Federal amount $8,396 Saskatchewan amount $5,380
  - Federal amount is reduced when income exceeds $43,335 and is fully eliminated when income exceeds $98,308. Grinds out by 15% of the taxable income over 43,335.
  - Saskatchewan credit also reduces for income over $40,051 and is fully eliminated where income exceeds $75,918. Grinds out at 15% of the income over $40,051.
  - Special, for Saskatchewan residents only, is the Senior Supplementary amount of $1,421. No grind.

Disability amount

- Federal $9,428. No reduction.
- Saskatchewan $10,405. No reduction.
- Federal Disability supplement for taxpayers under 18 years. $5,500. Reduced where child and attendant care costs exceed $3,221 and is fully eliminated when costs claimed by anyone exceed $8,721.
- Saskatchewan Disability supplement for taxpayers under 18 years. $10,405. Reduced where child and attendant care costs exceed $3,048 and is fully eliminated when costs claimed by anyone exceed $13,453.

Caregiver Credit

- Federal Infirm spouse, eligible dependent or child under 18 years $2,499
- Federal Infirm spouse, eligible dependent or adult dependent relative over 17 years $7,999 (Reduced by a claim in the previous caption, prevent doubling up)
- Saskatchewan credit in-home care of a parent, grandparent age 65+ or infirm adult relative $10,405. Reduced dollar for dollar where the infirm person's income exceeds $17,770 and eliminated at $28,175.

Other Credits

- Federal Pension amount $2,000.
- Saskatchewan Pension amount $1,000.

- Federal Medical expense credit = The amount of the medical expenses subtract the lesser of 3% of Net Income or $2,635.
- Saskatchewan Medical expense credit = The amount of the medical expenses subtract the lesser of 3% of Net Income or $2,493.
- Medical expenses can be accumulated for spouses and minor children on one tax return.

Other Credits

- Federal Canada Employment amount $1,358
- Federal Eligible adoption expenses $18,210
- Saskatchewan amount for dependent children under 19 years $6,700 per child

Tax Credits

- Credits are non-refundable.
- Where the amount of the credits exceeds tax payable the excess is not paid to the taxpayer.
- Credits are accumulated and multiplied by the applicable, federal or provincial, tax rate. This is the rate applied to the lowest bracket.
- Unused credits can be transferred to a spouse.

Federal Tax Rates

Rate	Taxable income
15%	$53,359 or less
20.5%	$53,360 - $106,717
26%	$106,717 - $165,430
29%	$165,431 - $235,675
33%	>235,675

Saskatchewan Tax Rates

Rate	Taxable Income
10.5%	$49,720 or less
12.5%	$49,721 - $142,058
14.5%	>$142,058

Combined Federal Saskatchewan Rates

Rate

- 25.5
- 27.5
- 33.0
- 38.5
- 40.5
- 43.5
- 47.5

Taxable Income

- 0 – 49,720
- 49,721 – 53,539
- 53,540 – 106,717
- 106,718 – 142,058
- 142,059 – 165,430
- 165,431 – 235,675
- > 235,675

CPP

- Individual pension benefit information is available online from Service Canada.
- If you have not already, you will need to set up a My Service Canada Account.
- Application is best made online. Limited provision for paper based applications.
- Benefit is based on individual contribution history and average annual earnings.

When to start receiving the CPP

- Standard age is 65
- Can start as early as age 60 or
- Defer to as late as age 70

- If you start before age 65, payments will decrease by 0.6% each month (or by 7.2% per year), up to a maximum reduction of 36% if you start at age 60
- If you start after age 65, payments will increase by 0.7% each month (or by 8.4% per year), up to a maximum increase of 42% if you start at age 70 (or after)

- Deciding when, depends on personal circumstances. There is no singular solution.

When to start receiving the CPP

- Still working and earning employment or business income?
  Consider the tax rate. Would deferral result in a lower tax rate applicable in later years? Is deferral possible?
- Is the income required?
- Health. This is the gamble. Many people start early due to uncertainty. Pension payments stop at death.
- Survivor benefit available to a surviving spouse. Up to 50% of the deceased spouse's pension benefit capped to the personal benefit maximum.

Stopping CPP Contributions

- Applies to persons continuing to receive employment income past age 65

- Can elect to cease contributing to the CPP where the employee
  - Is at least 65 years and under 70,
  - Receives CPP or QPP benefits,
  - Completes and signs form CPT30 and provides to the employer.

OAS and the ‘Claw-back’

- The OAS benefit 2023 (Old Age Security)
  - From age 65-74 the monthly benefit is $691.00
  - From age 75 and beyond the benefit is $760.10

  - The benefit is reduced by 15% of the net income in excess of **$86,912** and is fully reclaimed when net income reaches **$129,757.00**.

  - Payment of the OAS commences the month after a person reaches age 65.
  - Can be deferred. Will need to apply to commence at a later date.

Managing the OAS Clawback

- Pension splitting
- Income deferral (dividends from a private business, capital gains)
- Reducing RRIF payments and RRSP withdrawals where possible.
- Income splitting from a private business corporation (avoiding Tax on Split Income)

Pension Splitting

- Applies to pensions other than the CPP
- Joint Election to Split Pension Income, Form 1032T
- Split up to 50% of eligible pension income
- Your professional advisor should optimize the split to preserve credits and reduce the social benefits repayment where possible. Most commercially available tax software for consumers will do the optimizing calculation.

Retiring with Debt

- Increasingly common.
- Carrying debt into retirement when income may be less can be a burden.
- Threat of sustained high interest rates.
- Reconsider home equity lines of credit (HELOC).
- Repay debts prior to retirement where possible.
- Consult a debt restructuring professional where debt is difficult to manage.
- Where assets supported by debt, is the leverage viable?

Tax Loss Selling

- Unregistered accounts
  - Sell off marketable securities that have declined in value and have little prospect of recovery.
  - These losses can be used to offset realized gains that may be taxable.
  - Use cash to reinvest in higher quality securities with better price targets or earnings (dividends, interest or other income distributions).
- Registered accounts – TFSA, RRSP and RRIF
  - No immediate tax benefits as income is either not taxable as in the TFSA or deferred until drawn from the RRSP or RRIF.
  - Wise to constantly evaluate the performance of the portfolio for earnings, growth and risk of loss. Cash from disposals can be used to reinvest for improved prospects.
  - Consult your professional investment advisor.

Investing

- Evaluate risk
  - Probability of a loss of investment value, income or security
  - Willingness to sustain a loss
  - Less time to recover
- Earnings vs growth
  - Need for steady cash flow
  - Dividends and interest or stay invested in growth. Consider risk.
- Security
  - Loss prevention. (Stop-loss trades)
- Liquidity
  - Security and steady earnings

Wills

- Keep up to date
  - Changes to beneficiaries
  - Change of executor(s)
  - Changes to specific gifts or allocations
- Guidebook to aid the executor
  - How manage asset disposals
  - Working with beneficiaries, how to resolve disputes
  - Dealing with business co-owners
- List of property
  - List of bank and investment accounts
  - Vacation property
  - Shares of private corporations
  - Club memberships (eg, golf, yacht)

Have a Plan!

- Continued work
- Investment and asset management
- Projects
  - Home based
  - Volunteer and hobby
  - Learning and mentoring
  - Write that memoir!
- Travel   Desires vs Budget
- Disciplined program
  - We are generally only as good as our routines
  - Set goals
  - Plans to achieve

Thank you!

- Thank you for attending and your interest in this set of topics.

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