

# 2010 YEAR-END TAX PLANNING CHECKLIST

## PARENTS AND SPOUSES

The following checklist provides tactics you should consider as part of your year-end tax planning. If you need further explanation, please contact Chaplin & Co., Chartered Accountants at 416 667 7060.

### G Income splitting -

G if you have excess cash to invest and a lower-tax bracket spouse or children, consider an income-splitting plan by lending money to a family member to take advantage of the low prescribed interest rates (1% to December 31, 2010)

G deposit Universal Child Care Benefits and Canada Child Tax Benefit payments into a bank account in the name of your child so that income earned thereon is taxed in the child's hands.

G **Registered Education Savings Plan (RESP)** - Contribute to an RESP for your child. You are allowed to contribute up to \$4,000 each year for each college or university student. You are not able to carry-forward unused contributions.

G **Consider giving investments to a child** - Consider transferring investments to a child where that investment has dropped in value. This will trigger a capital loss that parent can use and any future growth will be taxed in the child's name. Capital gains are not attributed to the parent.

G **Personal residence** - For each personal residence owned by our family that was acquired before 1982, consider

G the need to establish the value of the residence at December 31, 1981; and

G the need for separate rather than joint ownership.

G Where more than one residence is owned by a family, the personal residence designation should generally be used for the property with the largest gain per year. However, the timing of the tax liability must also be considered.

### G Childcare expenses -

G Pay childcare expenses for 2010 before December 31, 2010 and get a receipt.

G Boarding school and camp fees qualify for the child care deduction (subject to certain limits) as does the cost to advertise or use a placement agency to find a child care provider.

G **Employment leave by spouse** - If your spouse is leaving the workforce, time contributions and withdrawals from a spousal RRSP to provide your family with extra disposable income.

G **Contribute to a spousal RRSP** - Review each spouse's RRSP and make RRSP contributions designed to equalize RRSPs so that each spouse will have the same retirement income

### G Separation agreements -

G review terms to ensure that you will be entitled to the maximum deduction or the minimum income inclusion.

G segregate child support component from alimony. Otherwise, the entire amount will be considered child support and will not be deductible.

G **Alimony payments** - Ensure that all alimony or maintenance payments for the year are made by December 31.

### G RRSPs -

G contribute by deadline of first 60 days of year to be able to claim deduction in previous tax year.

G to maximize your 2011 RRSP contribution of \$22,450, your earned income must be at least \$124,722 in 2010.

G **Children abroad** - Consider whether your will and estate plan need to be updated for children who no longer reside in Canada.

G **Children under 6** - Ensure that you made the claim for the Universal Child Care Benefit of \$100 per month.

G **Children's Fitness Tax Credit** - A non-refundable credit based on up to \$500 of eligible fees for physical-activity-programmes.

G **Child Tax Benefit** - Ensure claims are made for the child disability benefit if eligible; the benefit is \$2,470 per year.