



Clipboard

Joan Marie Mikkelsen, EPC, CFP
Financial and Insurance Services

www.checkwithjoan.com

Quaker Landing, 150 – 33 Ochterloney St., Dartmouth, N.S., B2Y 4P5

Bus: (902) 468-0602 Fax: (902) 468-0603 Toll-free: 1-877-439-8396 E-mail: info@joanmikkelsen.com

October 2007

International Annual Event

Each year at 8:00 pm local time on October 1st, windows around the world light up with Christmas lights to show support for family caregivers. Were you aware that in Nova Scotia, one in three adults is a caregiver to a family member or friend? On October 1st, join in and show your support for family caregivers, who unselfishly give of their time and energy, by placing lights in your windows.



Were you aware that ...

financial institution group creditor life insurance coverage for loans, mortgages, and lines of credit usually expires at age 70? This can leave a person's assets unprotected, and significantly reduce his/her estate. You may say that you hope not to have any loans when you are 70 years old, but wouldn't it be a relief to know that if you do, you are insured? This is a good reason to own your own life insurance policy. Attached is a brochure for "Pick-A-Term" insurance. You can choose your term (10 to 30 years), with premiums fixed for the selected term, and then convert to permanent life insurance if necessary.



Tax savings /benefits often overlooked

- Federal tax credit for public transit pass (15.5% X the cost of weekly/monthly public transportation passes). With receipts
- Textbook tax credit, and scholarship and bursary income exemptions, for full-time post secondary students
- Personal income tax installment threshold increased from \$2,000 to \$3,000
- New Federal non-refundable child tax credit (15.5% X \$2,000) for each child under the age of 18 years at the end of the taxation year
- Universal Child Care Benefit of \$100 per month per child under the age of six
- RESP annual contribution limit qualifying for the Canada Education Savings Grant (CESG) increased from \$2,000 to \$2,500, and grant limit increased from \$400 to \$500



2007 Federal Budget

Pension income splitting

The recently passed 2007 Federal Budget included several tax saving changes. In my August 207 *Clipboard* I reviewed the increased age limit for Registered Retirement Savings Plans (RRSPs) and Registered Pension Plans (RPPs). This and other informative articles can be found on my web site at www.checkwithjoan.com.

Let's look at a second change – the introduction of pension income splitting.

First, as a reminder, in our income tax system, the higher the income, the higher the tax rate. Income splitting is a strategy used to reduce tax payable by transferring income from a person in a higher tax bracket to a person in a lower tax bracket. For example, if one \$50,000 income is split so that two \$25,000 incomes are reported, the tax payable is reduced. Some common current income splitting strategies include Spousal Registered Retirement Savings Plans and Canada Pension Plan Income splitting.

The 2007 Budget change allows either partner in a married or common-law relationship to allocate up to 50% of qualified pension income to his or her spouse. It doesn't matter to whom the qualified pension income is paid, so there is no need to contact the payer of the pension.

For couples under age 65, income received under employment pension plans (including survivor benefits) qualifies for pension income splitting. For couples 65 and over, Registered Retirement Income Funds (RRIFs), Lifetime Income Funds (LIFs), Registered Retirement Saving Plan (RRSP) or Deferred

Profit Sharing Plan (DPSP) annuities, and the taxable portion of Non-Registered Prescribed annuities are sources of income which qualify for pension income splitting.

Tax savings will result from pension income splitting under any of the following circumstances:

- when income is shifted from a person in a higher tax bracket to a person in a lower tax bracket
- when Old Age Security (OAS) claw back is reduced or eliminated (claw back zone starts at \$63,511)
- when Age Amount Credit claw back is reduced or eliminated (claw back zone starts at \$30,936)
- when a person becomes eligible for the Pension Tax Credit (up to \$2,000) because of a transfer of pension income from his/her partner

Couples must file their income tax returns on or before their filing due date (generally April 30 of the following year, or June 15 for the self-employed) to take advantage of any eligible pension income splitting opportunities. Of course, both parties must agree to any splits for a given year, and must complete form T-1032, *Joint Election to Split Pension Income*. The 2007 income tax return will have new lines to accommodate pension income splitting.

Note: Canada Pension Plan (CPP) pension can also be split; however, advance application is required in order for the government to issue separate cheques for the retirement income.

