



2016 TOP TAX TIPS FOR SENIORS

Sharing Canada Pension Plan Benefits

- Spouses can elect to share their CPP benefit payments to split income reporting
- CPP is not one of the pension income types that taxpayers can elect to split on their tax returns after the benefits have been paid to each spouse
- Spouses must elect at source with Services Canada to share CPP payments
- Both spouses must be at least 60 years old

Pension Income Splitting

- Couples can split up to 50% of eligible pension income
- Pension income is determined by the income type and the age of the pension recipient
- A pensioner can split up to 50% of RRIF or annuity income if they are age 65 or older
- Pensioners under age 65 can split employer pension income (RPP) with their spouse
- Eligibility for pension income splitting is determined by the age of the pensioner, not the spouse

Pension Income Amount (Credit)

- Shelters \$2,000 of eligible pension income from federal tax; provincial amounts shelter between \$1,000-\$2,000
- Credit applies to the same types of income and ages that are eligible for pension income splitting
- If you are age 65 or older and you do not have any pension income, consider creating pension income to take advantage of the credit. Convert part of your RRSP to a RRIF to generate \$2,000 of income

2016 TOP TAX TIPS FOR SENIORS CONT/...

Early RRSP Conversion

- Retirees do not have to wait until age 71 to convert their RRSP to a RRIF
- Consider early conversion to a RRIF if:
 - RRSP value is quite large and the age 71 minimums will put you into a higher tax bracket or cause your OAS to be clawed back
 - You have retired early and require the funds to sustain your lifestyle
 - You have low or no other income
 - You are age 65 or older and can take advantage of the \$2,000 pension income amount
- OAS starts to be clawed back when net income exceeds \$73,756 (for 2016 tax year)
- OAS clawbacks are like an extra 15% tax on income exceeding the threshold
- Work with a financial planner to determine if there is an overall advantage to converting your RRSP before age 71

Last RRSP Contribution

- Individuals must convert an RRSP to a RRIF (or annuity) before the end of the year they turn 71
- If still working at age 71, you cannot contribute to an RRSP in the following year because it will be a RRIF, even though you have earned RRSP contribution room
- Instead, make one last RRSP contribution in December before converting to a RRIF
- This will be an over contribution subject to the 1% penalty for just the month of December
- You should be able to estimate the current year's earnings to determine next year's RRSP room
- Alternatively, if your spouse is under age 71, you can contribute to his or her spousal RRSP no matter what your age is as long as you have RRSP contribution room

Home Accessibility Tax Credit (HATC)

- Starting in the 2016 tax year, seniors age 65 or older can claim a federal tax credit for home renovations to make the principal residence more accessible or safe
- Individuals under age 65 who are eligible for the disability tax credit are also eligible to claim the credit or their supporting caregivers can claim it
- Taxpayers can claim up to \$10,000 in renovation expenses to obtain a maximum federal tax credit of \$1,500
- BC, Ontario, and New Brunswick also offer additional provincial tax credits for home renovations of a similar nature