



Your Money & Taxes

2010 Tax Year

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Your Financial Lifecycle

Lifecycle Periods	Age	Financial Profile
Early Career	25 – 40	Debts: Mortgage, etc.
Mid-career	40 – 50	Debt Elimination
Accumulation	50 – 65	Peak Savings Period
Pre-retirement	63 -- 65	Retirement & Estate Planning
Retirement	Age 65+	Health and Lifestyle Changes

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Risk Management

- Insure Against Risks
 - Home Owner Insurance
 - Vehicle Insurance – ICBC
 - Life & Disability Insurance
 - Out of Province/Country Medical
 - Business Insurance
 - Buy/Sell Insurance
 - Critical Illness & Extended Care

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2010 Tax Table

2010 Taxable Income	Federal Tax Rate	BC Tax Rate	Combined Total Tax
\$ - - \$35,859	15.00%	5.06%	20.06%
35,859 - 40,970	15.00%	7.70%	22.70%
40,970 - 71,719	22.00%	7.70%	29.70%
71,719 - 81,941	22.00%	10.50%	32.50%
81,941 - 82,342	26.00%	10.50%	36.50%
82,342 - 99,987	26.00%	12.29%	38.29%
99,987 - 127,021	26.00%	14.70%	40.70%
127,021 - Plus	29.00%	14.70%	43.70%

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2010 BC Tax Rate by Income Type

2010 Taxable Income			Regular Income	Capital Gains	Eligible Dividends	Regular Dividends
\$11,001	-	\$17,354	15.00%	7.50%	0.00%	2.08%
17,355	-	18,708	15.00%	7.50%	0.00%	2.08%
18,709	-	29,541	23.66%	11.83%	0.00%	8.16%
29,542	-	35,859	20.06%	10.03%	0.00%	4.16%
35,860	-	40,970	22.70%	11.35%	0.00%	7.46%
40,971	-	71,719	29.70%	14.85%	5.80%	16.21%
71,720	-	81,941	32.50%	16.25%	5.80%	19.71%
81,942	-	82,342	36.50%	18.25%	11.56%	24.71%
82,343	-	99,987	38.29%	19.15%	13.66%	26.94%
99,988	-	127,021	40.70%	20.35%	17.13%	29.96%
127,022	-	Plus	43.70%	21.85%	21.45%	33.71%

Marginal Tax Rate on Excess for Dividends and Capital Gains

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Investment Income – Non-registered

- **Types of Investment Income**
 - **Interest,**
 - Taxed at your marginal rate
 - **Capital Gains**
 - 50% Tax free
 - **Canadian Dividends**
 - Public corporations
 - Eligible Dividends
 - Private corporations
 - Regular Dividends

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Investment & Regular Income

Fully Taxed

- Interest Income
- Employment Income
- Net Business Income
- Pension Income
- RRSP & RRIF Income
- Net Rental Income (passive)

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Capital Gains Income

- 50% of Your Capital Gain is tax-free
- You decide when to trigger the gain
- Capital losses are deductible against capital gains – back 3 years, forward indefinitely
- Principal residence is tax-free
- \$750,000 exemption
 - Sale of shares of a Canadian Controlled Private Corporation (CCPC)
 - Qualified farming or fishing property

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Eligible Canadian Dividends

- Dividends from Canadian public corporations
 - e.g. Banks, Utilities, etc.
- Gross up 44%
 - Federal tax credit 17.9739%
 - Of the grossed up amount
 - BC tax credit 10.83%
 - Of the grossed up amount

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Regular Canadian Dividends

- Dividends from Canadian private corporations
 - Gross up 25%
 - Federal tax credit 13.333%
 - Of the grossed up amount
 - BC tax credit 3.40%
 - Of the grossed up amount

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Canadian Dividends - Example

Taxable Income \$36,000; Marginal Tax Rate of 22.70%	Regular Dividends	Eligible Dividends
Additional Dividend Income	\$1,000.00	\$1,000.00
Gross Up	25%	44%
Taxable Dividend	1,250.00	1,440.00
Federal + BC Tax (22.70%)	283.75	326.88
Federal Dividend Tax Credit Rate	13.33%	17.97%
BC Dividend Tax Credit Rate	3.40%	10.83%
Federal Tax Credit	\$166.67	\$258.82
BC Tax Credit	<u>42.50</u>	<u>155.95</u>
Total Dividend Tax Credits	\$209.17	\$414.78
Tax Payable on Dividends	\$74.58	\$0.00
Tax Rate on Dividends	7.46%	0.00%

Gross up may effect: age credit, OAS clawback, medical, and MSP

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Registered Investments

- Registered Education Savings Plans (RESPs)
- Registered Pension Plans (RPPs)
- Registered Retirement Savings Plans (RRSPs)
- Registered Retirement Income Funds (RRIFs)
- Life Income Funds (LIFs)
- Tax free savings accounts (TFSA)
 - New in 2008
- Registered Disability Savings Plan (RDSP)
 - New in 2008

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Registered Education Savings Plans

- **Subscriber:** Usually parents or grandparents
- **Beneficiary:** Under age 21
- RESP Maximum Contributions after 2006 is \$50,000
- Canada Education Savings Grant (CESG)
 - 20% of contributions – p.a. maximum \$500
 - Lifetime maximum \$7,200
 - Additional 40% CESG – family income <\$40,970
 - Additional 30% CESG – family income <\$81,941
- Canada Learning Bond (CLB)
 - Up to an additional \$2,000 – family income test

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Registered Pension Plans

- Registered Pension Plans are usually sponsored by an employer or union
- Two Types
 - **Defined Benefit (DB):** At retirement you will receive a specific pension based on your pensionable income and years of service.
 - **Defined Contribution (DC):** At retirement the amount of pension is based on the accumulated value of the contributions plus earnings in the plan
- Most public plans, municipal, teachers, etc. are **DB** plans
- In recent years many employers are moving to **DC** plans

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Registered Retirement Savings Plans

- Maximum Contribution Room
 - 18% of earned income to a maximum of:
 - 2009 - \$21,000
 - 2010 - \$22,000
 - 2011 - \$22,450*
 - * Indexed to the Industrial Aggregate Wage
 - Less: Your annual Pension Adjustment (**PA**)
- Unused contribution room may be carried forward
- RRSP loan interest is not deductible
- Contributions end the year you turn age 71
- Contributions may be to a spousal RRSP

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Registered Retirement Income Funds

- Used to turn RRSPs into income
 - You may transfer RRSPs to a RRIF at any age up to age 71
 - RRIFs have a minimum annual withdrawal
 - Initially you may use your own age or your spouse's age to calculate the minimum withdrawal
 - The minimum annual withdrawal up to age 70 is calculated as follows: $1 \div (90 - \text{your age})$
 - From age 70 plus, Canada Revenue Agency (CRA) uses a prescribed table

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RRIF Table (“Other”)

Age	Minimum	Age	Minimum
65	4.00%	80	8.75%
66	4.17%	81	8.99%
67	4.35%	82	9.27%
68	4.55%	83	9.58%
69	4.76%	84	9.93%
70	5.00%	85	10.33%
71	7.38%	86	10.79%
72	7.48%	87	11.33%
73	7.59%	88	11.96%
74	7.71%	89	12.71%
75	7.85%	90	13.62%
76	7.99%	91	14.73%
77	8.15%	92	16.12%
78	8.33%	93	17.92%
79	8.53%	94 +	20.00%

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Life Income Funds (LIFs)

- Used to create an income for funds transferred from pension plans and locked-in RRSPs
 - Usual minimum issue age is 55
 - The minimum annual withdrawal is the same as a RRIF
 - A LIF has a maximum annual withdrawal based on a table published annually by FICOMM

Example Age 65

- Minimum withdrawal 4.0%
- Maximum withdrawal 7.2%

- BC no longer requires annuitization at age 80

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TFSA - example

YEAR END	DEPOSIT P.A.	INTEREST 4.00%	ACCOUNT BALANCE
1	\$5,000.00	\$200.00	\$5,200.00
2	5,000.00	408.00	10,608.00
3	5,000.00	624.32	16,232.32
4	5,000.00	849.29	22,081.61
5	5,000.00	1,083.26	28,164.88
6	5,000.00	1,326.60	34,491.47
7	5,000.00	1,579.66	41,071.13
8	5,000.00	1,842.85	47,913.98
9	5,000.00	2,116.56	55,030.54
10	5,000.00	2,401.22	62,431.76

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Registered Disability Savings Plan (RDSP)

- Eligibility
 - Must have a **T2201** Certificate
 - Must have a SIN and be a resident of Canada
- Canada Disability Savings Grant
 - Maximum per annum \$3,500
 - Lifetime Maximum \$70,000
- Annual Family Income
 - Less than \$81,941
 - First \$500 – 3 for 1 – Maximum \$1,500
 - Next \$1,000 – 2 for 1 – Maximum \$2,000
 - More than \$81,941 on the 1st \$1,000 – 1 for 1 to an maximum of \$1,000

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