



Financial basics for couples

When it comes to setting up your finances, there are definitely some advantages to being a couple. Do a little homework now to find out what they are so that you can better plan your future together.

Don't worry if you haven't officially tied the knot yet: common-law partners – whether they're of the same or opposite sex – receive the same treatment as married spouses when it comes to most provisions of the Income Tax Act.

That means you can claim the "spouse or common-law partner amount" credit at tax time. You can transfer non-registered assets to one another on a tax-deferred basis at any time, and transfer RRSP assets to one another on a tax-deferred basis at death. If your partner dies before you, you could be eligible for survivor benefits and pension assignments under the Canada Pension Plan and Old Age Security (OAS).

If your spouse was insured under an employee benefits program, you and your dependants may also be eligible for survivor benefits for health and dental coverage.

But you're probably not thinking about old age yet – so let's begin at the beginning. If you're a new couple, you may be wondering whether or not to establish a joint bank account. While it would probably make sense to have one account to cover joint expenses, the best solution for you is whatever causes the least amount of conflict, says Sandra Foster, president of Headspring Consulting Inc. in Toronto.

Foster, who is also the author of numerous financial planning books, including *You Can't Take it With You: The Common Sense Guide to Estate Planning for Canadians*, says every couple will have their own way of arranging bank accounts, and there's no best solution from a financial perspective.

"But keep a handle on bank fees if you maintain several accounts," she says.





INVESTMENT FOR TWO

A spousal RRSP can be a good idea when one of you has a much higher income than the other, or has a much more substantial retirement savings portfolio. You contribute to your partner's RRSP and get the tax deduction, but your partner owns the RRSP.

"The point of a spousal RRSP is to equalize income in retirement, and reduce income tax today and in retirement," says Foster. "A spousal RRSP is also a good idea for couples when one of them has a defined benefit pension plan. The person with the defined benefit plan can use a spousal RRSP to top up the other person's RRSP."

When it comes to non-registered investments, a smart move for some couples is to have the higher-earning spouse pay for all of the household expenses while the lower-earning spouse makes the investments. This way, profits from investments are taxed at a lower rate because the investments are owned by the spouse in the lower tax bracket.

TAKING CARE OF BUSINESS

You may also want to be each other's designated beneficiaries for insurance policies, RRSPs and other investments, so revisit the paperwork on your investments and update them accordingly.

If you both have group insurance coverage through your employers, you may be able to coordinate your benefits and you may get 100% of your eligible claims reimbursed.

At tax time you can also take advantage of combining your charitable donations on one person's return. Donations totaling \$200 or more will produce a higher non-refundable tax credit due to the way donations are calculated, says Foster.

Educating yourself on the tax and investment options available to you as a couple can pay big dividends, so consider visiting a financial planner for more tips and ideas.

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