



## Income splitting checklist: Strategies that may apply to your situation

- ✓ If you earn a lot more than your partner:
  - Make sure your salary pays the bills and use your partner's income to make your non-registered investments. Your partner will be in a lower tax bracket and will pay less tax than you on any profits.
  - Consider using an inter-spousal loan, charging interest at Canada Revenue Agency's prescribed rate. Provided the interest is paid within 30 days after the year it was due, you will avoid the attribution rules. This is a great way to income split and reduce the family tax bill.
- ✓ If you have a pension plan or a much larger RRSP portfolio than your spouse, set up a spousal RRSP to equalize your RRSP assets (and income) by the time you're both ready to retire.
- ✓ If you're self-employed, hire your family members and pay them a salary in order to cut down on your income tax. Your spouse or children must actually do the assigned work and be paid reasonably for it.
- ✓ If your adult children (age 18 or older) are in a lower tax bracket than you, consider giving them money to invest. Any income will be taxed in their hands, which should mean they'll pay less tax than you would.
- ✓ Give your children under age 18 money to invest. Any capital gains will be taxed in their hands, which usually means they will pay little or no tax.
- ✓ If you have unrealized capital losses but don't have capital gains this year or in the previous three years to apply them against, consider transferring any capital losses to your spouse to offset his or her capital gains. Talk to a professional tax planner for more information.





- ✓ Child Tax Benefits may be invested in the child's name and the income earned will be taxed in the child's hands, which usually means they will pay little or no tax.
- ✓ Spouses in different tax brackets who are receiving unequal Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) benefits can choose to receive a portion of each other's pension and will only be taxed on the amount s/he actually receives thereby providing an effective income splitting technique.

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