



Key Financial Considerations for BC Seniors

November 17, 2020

Considering your Financial Fitness in Retirement

As we move between stages of our life cycle our financial plans need to be adjusted accordingly. There are many factors to consider – new personal goals, changes to cash flow when the steady paycheck is traded for a fixed income in retirement, planning ahead for future personal and wellness needs.

Before you make financial decisions that could have a long-term effect on your well-being, consider some of these questions – and know that support is available to help you through this process if you need it.

Here are some questions to ask yourself while you are navigating through these plan updates.

Financial Fitness Retirement Checklist:

- Do I have medical and dental benefits? This could include vision-care, comprehensive dental coverage (dentures, implants), mobility equipment and extra medication costs.
- Is my investment portfolio aligned with my new goals, my cash flow needs and has risk been mitigated to a larger degree?
- What do my transportation costs look like?
- If I am going to age in place and stay in my home, these elements all have an associated cost:
 - Does my home need modifications or renovations for safety and mobility?*
 - Will I need groceries and/or meals delivered?*
 - Do I need a gardener?*
 - Will I need cooking/cleaning/extra health care support in my home with a nurse/companion?*
- If I decide to move into a supported living residence, what extra costs might ensue? Costs also go down in this scenario given all the services that are included in the monthly charge.

What will we review today?

- Taxation of Non-Registered Investments
- Registered Investment Accounts - Tax Deferred and Tax-Free Accounts
- Minimizing income tax payable can help BC Seniors increase their cash flow.

There are a number of considerations that concern taxes for BC seniors, and we are going to talk about investment options, registered accounts, some government tax credits and charitable giving.

While not all seniors will be eligible to receive all the grants or tax credits, it's good to know what's available. Personal situations change. People we know and care about might be able to benefit from them.

This presentation is by no means comprehensive but includes some of the main tax considerations relating to seniors in the Greater Vancouver Area, and contact information is available.

Let's get started!

Taxation of Non-Registered Investments

As an investor, you'll pay taxes on:

- ***Interest-bearing investments***
 - taxed fully as income
- ***Dividend-paying investments***
 - Receive a federal dividend tax credit for Canadian public companies (and some private companies)
 - Dividend tax credit is approximately 15% of the grossed-up dividend calculation (varies depending on type of Canadian business paying dividends)
- ***Capital gains***
 - Investor pays tax on 50% of net gains (capital gains minus capital losses)
- ***Foreign investments***
 - If you receive income from foreign investments, the equivalent CAD value must be reported on your Canadian tax return (a withholding tax is often deducted from your investment income)

Taking Advantage of Registered Investments

Tax Deferred Accounts – RRSP (Registered Retirement Savings Plan) and RRIF (Registered Retirement Income Fund)

- You receive a tax deduction for making an RRSP contribution. If your marginal tax rate is 40% and you put \$1,000 in your RRSP, your income is reduced by \$1,000 for the year, effectively saving \$400 in tax.
- Inside the RRSP all investment growth is completely sheltered from tax, but future withdrawals from the account will be taxed at your full marginal rate.
- RRSP's must be converted to RRIF's in the year the account holder turns 71

Taking Advantage of Registered Investments


Tax Deferred Accounts – RRSP (Registered Retirement Savings Plan) and RRIF (Registered Retirement Income Fund)
continued...

- Minimum income must be drawn from the RRIF starting the year *after* RRIF conversion, determined by a government-imposed formula – *if you have a younger spouse, the minimum amount can be determined using their age*
- The 2019 Federal Budget introduced a new Advanced Life Deferred Annuity option, allowing seniors to defer a portion of their RRIF income to age 85
- RRSP and RRIF accounts are ideal for holding U.S. investments due to our tax treaty with the United States that allows for tax exemption

Taking Advantage of Registered Investments

Tax-Free Accounts – TFSA (Tax Free Savings Account)

- Contributions do not generate a tax refund, but future withdrawals from TFSAs are not counted as income for tax purposes. This is especially good news for Canadians who may face claw-backs of income-tested benefits in retirement, notably the Guaranteed Income Supplement and Old Age Security.
- Income earned on most investments held within TFSA's are exempt from Canadian Income Tax
- Once funds are withdrawn, they can be re-contributed the following calendar year
- Very important to stay within individual TFSA contribution limits – if you have never contributed to a TFSA your contribution limit has been accumulating and you may be able to deposit up to \$69,500 as of January 1, 2020

A close-up, slightly blurred photograph of a person's hand pointing at a document on a desk. In the background, a laptop keyboard and a white cup are visible. The image is partially obscured by a dark grey overlay on the right side.

There are a
number of
Government
Tax Credits
and Benefits
for Seniors...

***But an income
tax return
must be filed
to receive
them.***

Federal Benefits through CRA



GST/HST Tax Credit

Phone #: 1-800-267-6999

Website: www.cra.gc.ca

To receive this benefit four times per year:

- You must file your income tax return annually – even if you do not have to pay income tax

Disability Tax Credit

Phone #: 1-800-959-8281

Website: www.cra.gc.ca

To receive this benefit:

- You must have a severe and prolonged mental or physical impairment. All or part of this tax credit can be transferred to a spouse or supporting individual. Form T2201-E needs to be completed and submitted with the income tax of the person claiming it. The doctor must sign the form as well. People with a permanent disability only need to submit this form once to get the tax credit in the future.

Federal Benefits through CRA



Caregiver Tax Credit & Family Caregiver Amount

Phone #: 1-800-959-8281

Website: www.cra.gc.ca

If you are a taxpayer caring for a dependent over the age of 18 who lives in your home, has a low net income and is dependent on you due to a physical or mental impairment, you may qualify. If the dependent is your spouse's parent or grandparent born in 1945 or earlier, they do not have to be infirm for you to qualify.

You can also claim this tax credit if you lived with a dependent who was:

- You or your spouse or common-law partner's child or grandchild, or
- You or your spouse or common-law partner's brother, sister, niece, nephew, aunt, uncle, parent or grandparent who resided in Canada

CPP Note: If you stopped working or reduced your hours of work to care for your children while they were under the age of 7 (born after Dec 31, 1958) you should ensure you have applied for the Child Rearing Provision

Federal Benefits, Service Canada: CONTACTS



Phone #: 1-800-277-9914

Website: www.servicecanada.gc.ca

If you are comfortable online, then try out the:

Canadian Retirement Income Calculator

<https://srv111.services.gc.ca/GeneralInformation/Index>

OAS/GIS and Allowance application forms are available by calling the number listed above, on the website www.servicecanada.gc.ca , or at the Service Canada Centre located at:

#350 – 5611 Cooney Rd, Richmond, BC

**Old Age Security Pension (OAS)
Guaranteed Income Supplement (GIS)
OAS Allowance
Canada Pension Plan (CPP)**

Federal Benefits for Seniors – COVID19



The payment for seniors provides support through a one-time payment the week of July 6th:

- \$300 for seniors eligible for the Old Age Security pension, and
- An additional \$200 for seniors eligible for the Guaranteed Income Supplement

This measure will give a total of \$500 to seniors who receive both the Old Age Security pension and the Guaranteed Income Supplement, and is designed to help them cover increased costs caused by COVID-19.

You do not have to apply. All individuals who are eligible to receive the Old Age Security pension or the Guaranteed Income Supplement in June 2020 will receive the one-time payment for seniors, the week of July 6, 2020.

The government reduced the required minimum withdrawals from Registered Retirement Income Funds (RRIFs) by 25 % for 2020.

Provincial Benefits



BC Sales Tax Credit

Phone #: 1-877-388-4440

Website: www.sbr.gov.bc.ca

The BC government offers a sales tax credit of up to \$75 per person for low income families or individuals residing in BC on December 31st of the year for which the income tax return is submitted. The application is in your income tax return package.

Fuel Tax Rebate

Phone #: 1-877-388-4440

Website: www.sbr.gov.bc.ca

If you own or lease a motor vehicle and are a person with a disability you may be eligible for a refund of tax paid on fuel purchased for your vehicle.

Provincial Benefits



BC Seniors' Home Renovation Tax Credit

Phone #: 1-877-388-4440 Email: ITBTaxQuestions@gov.bc.ca

This tax credit assists individual 65 and over with the cost of certain permanent home renovations to improve accessibility or help a senior be more functional or mobile at home.

You are eligible to claim the credit for the year when you file your T1 income tax return if on the last day of the tax year you are:

- A resident of BC, and
- A senior or a family member living with a senior

Provincial Benefits for Seniors – COVID19



BC Senior's Crisis Supplement

A \$300 supplement for April, May, June, July, August, September, October, November and December 2020 for eligible seniors – these are B.C. seniors who already receive the BC Senior's Supplement. No application required.

More funding has been given to bc211, a province-wide information and referral service that matches seniors with volunteers who can help with basic needs, including grocery shopping and pharmacy drop-offs.

<https://www.bc211.ca/>

\$50 million in funding has gone to United Way to bolster seniors' supports in British Columbia through the Better at Home program, including services that help seniors stay in their homes, safely.

<http://betterathome.ca/>

For Provincial Income and Disability Support, call **1-866-866-0800**

Municipal Benefits



Home Owner Grant

If you are the registered homeowner of your principal residence and are over 65 years old, you likely qualify for both the basic and the additional grants.

The basic grant is eliminated when the assessed value reaches \$1.525 million and the additional grant is eliminated when the assessed value reaches \$1.734 million. There is also a Low Income Grant Supplement for Seniors for properties with an assessed value over \$1.525 million and an adjusted net family income of \$32,000 (or less).

Questions? Call BC's Home Owner Grant Administration Branch:

Phone #: 1-888-355-2700 Email: hogadmin@gov.bc.ca

Ensure you apply each year - even if you are paying your property taxes through your mortgage, the tax installment pre-payment plan or through tax deferral.

Municipal Benefits



Property Tax Deferment

In most municipalities, the regular tax deferment program is available to:

- Owners who are 55 or older during the current year
- A surviving spouse of any age, or
- A person with disabilities
- A Canadian Citizen or permanent resident

And must:

- Be living in BC for at least one year
- Be a registered owner of the property
- Have and maintain a minimum equity of 25% of the property's assessed value
- Have paid all previous years' property taxes, utility fees, penalties and interest
- Have current fire insurance for your home and other improvements (otherwise may only be eligible based on land value)

The property must be your principal residence and classed as residential (class1) or residential and farm (classes 1 & 9)

Municipal Benefits



Property Tax Deferment

While you carry a property tax deferment balance you will have a restrictive lien registered against your property. Once the lien is registered you can only change your property title to add your spouse.

You must repay the outstanding balance of your agreement before you:

- Sell a property
- Change property owners other than adding your spouse
- Refinance with most financial institutions

Simple Interest rates are set every 6 months. It is currently 0.45%.



Planned Giving and Creating a Legacy

Charitable Giving Makes Financial Sense

- **Carry forward large donations:**
 - Claim donations up to 75% of net income
 - Excess may be carried forward up to 5 years
 - Increased limit in year of death

- **Pool tax receipts**

- **Reduce capital gains by donating securities**

Charitable Giving Options

- Cash Gifts
- In-kind Gifts (art, real estate, investments/ securities)
- Life Insurance
- Charitable Gift Annuities & Charitable Remainder Trust
- RSP and RIF charity beneficiary designations
- Bequests (through your will)
- Private Foundations
- Community Foundations
- Donor-Advised Funds: Private Giving Foundations



Transitioning Wealth Between Generations

Transitioning Wealth Between Generations

Beneficiary Designations:

- Registered Investment Products (RRSP/RRIF, TFSA...)
- Life insurance
- Special Insurance Products
 - *Policies*
 - *Annuities*
 - *Segregated Investments*

Changing title of residential property to include next generation...

Seems like a good idea, but...

Trusts & Insurance can be Useful Financial Tools

Other Key Considerations:

Choosing a Power of Attorney, Executor or Health Care Representative

What questions do you have?



**Sea Glass
Wealth Advisory
Group**

SEA GLASS WEALTH ADVISORY GROUP

Helping our clients lead extraordinary lives.

Contact us.

Kristina Thomas QAFP, RRC
Investment Advisor

Office: 604-560-8273
Cell: 778-241-5553
Toll Free: 1-877-557-8266

Email:
kthomas@seaglasswealth.com

Tracey Lundell PEP, CIM
Investment Advisor

Office: 604-560-8267
Cell: 604-358-3123
Toll Free: 1-877-557-8266

Email:
tlundell@seaglasswealth.com

Address: 310-15252 32nd Avenue. Surrey, British Columbia, V3Z 0R7

Website: seaglasswealth.com

Sea Glass Wealth Advisory Group is part of Harbourfront Wealth Management. This Welcome Document is for personal use only. Harbourfront Wealth Management is a member of the Canadian Investor Protection Fund.

