

Investor Insight

Dekker Hewett Group | Independent. Trustworthy. Experienced.

Split Pension Income, Save Tax

Spring is just around the corner and that means that personal income tax season will also be arriving. For individuals who are retired or over the age of 65, there may be an opportunity to take advantage of a spouse's lower marginal tax rate and/or available tax credits to provide tax savings through pension income splitting.

An individual may allocate up to 50 percent of their eligible pension income with their spouse (or common-law partner) for tax purposes. Splitting pension income with a spouse does not mean that funds must be transferred to the spouse; it is just an election to shift income from one spouse's tax return to the other.

The age of the person who receives the pension income determines whether or not the amount is considered eligible pension income. In general, for an individual over the age of 65, eligible pension income includes amounts such as annuity payments from pension plans and deferred profit sharing plans, payments from a Registered Retirement Income Fund (RRIF), Life Income Fund (LIF) or Locked-In Retirement Income Fund (LRIF), certain Registered Retirement Savings Plan (RRSP) payments, and the interest element of annuity contracts.

For individuals who have not yet reached the age of 65, eligible pension income can include amounts such as annuity payments from pension plans and any amounts received as a result of death that would have been considered eligible pension income if the individual was 65 years old.

Amounts that are not considered eligible pension income include Old Age Security (OAS) benefits, Canada or Quebec Pension Plan (CPP/QPP) benefits and amounts withdrawn from an RRSP that are not annuity payments. In order to split RRSP income for tax purposes with your spouse, you must be 65 years of age or older and the RRSP funds must be used to purchase a registered annuity or the RRSP must be converted to an RRIF.

A tax advisor can help to review your situation and best determine whether pension income splitting may be beneficial for your particular circumstances.

Dekker Hewett Group
Canaccord Genuity Wealth Management
609 Granville St., Vancouver, BC, V7Y1H2
T: 604.699.0852
E: dhginfo@canaccord.com
www.dekkerhewettgroup.com

CANACCORD GENUITY WEALTH MANAGEMENT IS A DIVISION OF CANACCORD GENUITY CORP., MEMBER-CANADIAN INVESTOR PROTECTION FUND AND THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

This newsletter is solely the work of the author for the private information of clients. Although the author is a registered Investment Advisor at Canaccord Genuity Corp., this is not an official publication of Canaccord Genuity Corp. and the author is not a Canaccord Genuity Corp. analyst. The views (including any recommendation) expressed in this newsletter are those of the author alone, and are not necessarily those of Canaccord Genuity Corp. The information contained in this newsletter is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it do the author or Canaccord Genuity Corp. assume any liability. This information is given as of the date appearing on this newsletter, and neither the author nor Canaccord Genuity Corp. assume any obligation to update the information or advise on further developments relating to information provided herein. This newsletter is intended for distribution in those jurisdictions where both the author and Canaccord Genuity Corp. are registered to do business in securities. Any distribution or dissemination of this newsletter in any other jurisdiction is prohibited. The holdings of the author, Canaccord Genuity Corp., its affiliated companies and holdings of their respective directors, officers and employees and companies with which they are associated may, from time to time, include the securities mentioned in this newsletter.

The preceding information is for general information only and does not constitute tax advice. All investors should consult with a qualified tax accountant.
Tax & Estate advice offered through Canaccord Genuity Wealth & Estate Planning Services.

FOR DISTRIBUTION IN CANADA ONLY