

Your Employee Assistance Program is a support service that can help you take the first step toward change.

Tax Planning: The Key to Your Financial Health

Smart tax planning simply means arranging your finances so you pay only as much tax as required, and not a penny more.

Keep more of your income. The key here is to reduce your marginal tax rate—the "top-tier" rate that applies to your income.

To reduce your marginal tax rate, you need to reduce your taxable income. Your RRSP contribution (up to your allowed limit) reduces your taxable income dollar for dollar.

Tax-wise investing. Interest income is fully taxable at your marginal rate. On the other hand, only half of any capital gains you earn is subject to tax. And dividend income from taxable Canadian corporations gets the biggest tax break of all. So, hold the most heavily taxed investments inside your RRSP and use tax-advantaged ones for your non-registered plan.

Taxes and your estate. If you're not careful, income taxes in the year of your death can take a huge bite out of any legacy you leave to your heirs. The solution is a carefully prepared estate plan. Consider life insurance to pre-fund the taxes on your estate.

Because tax influences every aspect of your finances, you need a coordinated effort to ensure you pay the least tax possible. The best way to do that is through a complete financial plan, prepared with the help of professional advice. Consider working with a trusted financial advisor to plan your taxes.

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