

# Tax & Retirement Planning Guide



TD Asset Management Inc. (TDAM) understands the importance of maximizing the after-tax income for investors since, for most Canadians, paying taxes could be their biggest lifetime expense. Tax planning can have an immediate, as well as a profound long-term impact on a person's standard of living, financial security and ability to meet financial goals. Fortunately, there are many tax-efficient investment strategies Canadians can use to help maximize their after-tax income and help grow their investments. These strategies can include: receiving tax efficient income such as dividends and capital gains, using registered plans to save for retirement or a child's education, and using a Tax-Free Savings Account (TFSA), as well as maximizing tax credits and deductions.

TDAM has created this guide to help outline some tax planning information; however, we encourage investors to seek qualified tax planning advice to develop a strategy that's appropriate for their unique situation.

# Tax Planning

## 2018 Federal Tax Brackets & Rates

Taxable Income	Rate
Up to \$46,605	15.0%
\$46,606 – 93,208	20.5%
\$93,209 – 144,489	26.0%
\$144,490 – 205,842	29.0%
\$205,843, and over	33.0%

Source: KPMG Tax Facts 2018-2019.

## Payroll Deductions Snapshot<sup>1</sup>

	2018	Change from 2017
Maximum EI Premium <sup>2</sup>	\$858	▲
Maximum CPP Contribution <sup>3</sup>	\$2,593	▲
Top Federal Tax Rate	33%	

Source: Canada Revenue Agency (CRA), Régie des rentes Québec (RRQ). <sup>1</sup>Figures rounded to nearest dollar. <sup>2</sup>Maximum EI premium for employees outside of Quebec. The maximum for Quebec employees is \$672 as at January 1, 2018. <sup>3</sup>The maximum QPP contribution per employee is \$2,829 as at January 1, 2018.

## Important Dates<sup>1</sup>:

- RSP Contribution Deadline: March 1, 2019
- Individual tax filing deadline: April 30, 2019
- Self-employed business tax filing deadline: June 17, 2019
- Quarterly deadlines if you pay taxes to CRA by installments:
  - March 15, 2019
  - June 17, 2019
  - September 16, 2019
  - December 16, 2019

<sup>1</sup> 2019 important dates are subject to change.

## 2018 Top Marginal Personal Tax Rates<sup>1</sup>

Province/Territory	Interest and Regular Income %	Capital Gains %	Eligible Canadian Dividends %	Non-eligible Canadian Dividends %
Federal <sup>2</sup>	33.00	16.50	24.81	26.64
Alberta	48.00	24.00	31.71	41.64
British Columbia	49.80	24.90	34.20	43.73
Manitoba	50.40	25.20	37.79	45.92
New Brunswick	53.30	26.65	33.51	46.88
Newfoundland and Labrador	51.30	25.65	42.62	43.81
Northwest Territories <sup>2</sup>	47.05	23.53	28.33	35.98
Nova Scotia	54.00	27.00	41.58	47.33
Nunavut <sup>2</sup>	44.50	22.25	33.08	36.78
Ontario	53.53	26.76	39.34	46.84
P.E.I.	51.37	25.69	34.23	44.26
Québec	53.31	26.65	39.83	43.84
Saskatchewan	47.50	23.75	29.64	39.60
Yukon <sup>2</sup>	45.80	22.90	25.89	38.87
Non-Resident <sup>2,3</sup>	48.84	24.42	36.72	39.43

Source: KPMG Tax Facts 2018-2019. <sup>1</sup>The combined top marginal tax rate is the rate an individual will pay on income that falls into the highest tax bracket in the province or territories of residence. <sup>2</sup>Source: PWC Tax facts and figures Canada 2018. <sup>3</sup>Non-resident rates for interest and dividends apply only in limited circumstances.

## Tax-Free Savings Account (TFSA) Contribution Limits

Tax Free Savings Account	2009 – 2012	2013 – 2014	2015	2016 – 2018	2019
Annual Contribution Limits	\$5,000	\$5,500	\$10,000	\$5,500 <sup>1</sup>	\$6,000

<sup>1</sup>The TFSA annual room limit will be indexed to inflation and rounded to the nearest \$500.

# Tax Planning

## Tax-Free Savings Account (TFSA)<sup>1</sup>

The key features are:

- Starting in 2009, Canadian residents aged 18 and older could contribute into a TFSA.
- Contributions to a TFSA are not deductible for income tax purposes, but investment income, including interest, dividends and capital gains earned in a TFSA are not taxed.
- Unused TFSA contribution room can be carried forward to future years.
- You can withdraw funds from the TFSA at any time for any purpose.<sup>2</sup>
- You cannot contribute more than your TFSA contribution room in a given year, even if you made withdrawals during that year. However, amounts withdrawn in one year are added to your TFSA contribution room in the following calendar year.
- If, at any time in a month, you have an excess TFSA amount (which is, generally, an over-contribution to your TFSA), you are liable for a tax of 1% on the highest excess TFSA amount in that month.

<sup>1</sup>Source: Department of Finance Canada.

<sup>2</sup>Some restrictions may apply, depending on the investments chosen.

## Retirement Planning

### Retirement Savings Plan (RSP) Contribution Limits

Year	18% of Previous Year's Earned Income to a Maximum of: Maximum RSP Contribution
2014	\$24,270
2015	\$24,930
2016	\$25,370
2017	\$26,010
2018	\$26,230 <sup>1</sup>
2019	\$26,500

<sup>1</sup>Source: KPMG Tax Facts 2018-2019

### Withholding Tax Rates for RSP/RIF Withdrawals

Amount Withdrawn in Excess of Minimum	All Provinces Except Quebec	Quebec	Non-Residents <sup>1</sup>
Up to \$5,000	10%	5% federal + 15% provincial	25%
\$5,001 to \$15,000	20%	10% federal + 15% provincial	25%
Over \$15,000	30%	15% federal + 15% provincial	25%

<sup>1</sup>For non-residents of Canada, withholding tax is 25% unless reduced by a treaty.

### Withdrawal Programs from your RSP

	RSP Home Buyers' Plan (HBP) <sup>1</sup>	RSP Lifelong Learning Plan (LLP) <sup>1</sup>
Eligibility	Must be considered a "First-time Home Buyer": Cannot have lived in a home owned by the annuitant or the annuitant's spouse or common-law partner during the period between January 1 of the fourth year before the year of withdrawal, and the 31 <sup>st</sup> day before the withdrawal. Other conditions apply. For more information please visit the Canada Revenue Agency website at <a href="http://www.canada.ca/en/revenue-agency.html">www.canada.ca/en/revenue-agency.html</a> .	The annuitant or the annuitant's spouse or common-law partner must be enrolled full-time (part-time for disabled students) in a qualifying educational program at a designated educational institution before March 1 of the year following the year of first withdrawal. The program must be of at least three consecutive months' duration with 10+ hours of weekly course work. Other conditions apply. For more information please visit the Canada Revenue Agency website at <a href="http://www.canada.ca/en/revenue-agency.html">www.canada.ca/en/revenue-agency.html</a> .
Limits	\$25,000 per participant.	\$10,000 per year to a maximum of \$20,000 over four years.
Repayment <sup>2</sup>	Generally, 1/15 <sup>th</sup> per year beginning the second year following the year of withdrawal, payable by 60 days into the following year.	Generally, 1/10 <sup>th</sup> per year, with the first repayment due 60 days after the fifth year following the first withdrawal. Repayments may commence in the second year following the withdrawal, if the course is completed in the year of withdrawal. For complete details, please visit <a href="http://www.canada.ca/en/revenue-agency.html">www.canada.ca/en/revenue-agency.html</a> .

<sup>1</sup>Source: CRA. <sup>2</sup> Any amount that is not repaid will be added to taxable income. You have up to 15 years to repay the Home Buyers Plan and Lifelong Learning Plan.

# Retirement Planning

Payment Rates - Canada Pension Plan (CPP) & Quebec Pension Plan (QPP)		
Type of Benefit	CPP Maximum Monthly Benefit (2018)	QPP Maximum Monthly Benefit (2018)
Retirement Pension (At Age 65)	\$1,134.17	\$1,134.17
Disability Benefit (Under Age 65)	\$1,335.66	\$1,335.80
Survivors Benefit (Under Age 65)	\$614.62	\$875.80 <sup>1</sup>
Survivors Benefit (Age 65 and Over)	\$680.50	\$680.50
Children of Disabled Contributor Benefit	\$244.64	\$77.67
Children of Deceased Contributors Benefit	\$244.64	\$244.64
Combined Survivors and Retirement Benefit (Retirement At Age 65)	\$1,134.17	\$1,134.17
Combined Survivors and Disability Benefit	\$1,335.83	See footnote <sup>2</sup>
Death Benefit (Max Lump Sum)	\$2,500.00	\$2,500.00

Source: Government of Canada from January 2018 to December 2018, Regie des rentes Quebec (RRQ). <sup>1</sup>Between 45 - 64 years of age. <sup>2</sup>Please contact RRQ for more information.

Old Age Security Benefit Payment Rates <sup>1</sup>			
Type of Benefit	Recipient	Maximum Monthly Benefit	Maximum Annual Income <sup>2</sup>
Old Age Security (OAS) Pension <sup>4</sup>	All Recipients	\$600.85	\$123,386 <sup>3</sup> (see Old Age Security below)
Guaranteed Income Supplement (GIS)	Single Person	\$897.42	\$18,216 <sup>3</sup>
	Spouse of Pensioner	\$540.23	\$24,048 <sup>4</sup>
	Spouse of Non-Pensioner	\$897.42	\$43,680 <sup>4</sup>
	Spouse of Allowance Recipient	\$540.23	\$43,680 <sup>4</sup>
Allowance	All Recipients	\$1,141.08	\$33,696 <sup>4</sup>
Allowance For The Survivor	All Recipients	\$1,360.20	\$24,552 <sup>3</sup>

Source: Government of Canada October 2018 to December 2018. <sup>1</sup>For eligible recipients aged 65 or over. OAS benefits are reviewed quarterly and generally indexed to CPI. <sup>2</sup>The income level cut-offs do not include the OAS pension or the first \$3,500 of employment income. <sup>3</sup>Individual income. <sup>4</sup>Combined income.

## Retirement Income Fund (RIF) Annual Minimum Withdrawals (%) (Fair market value of RIF on December 31 multiplied by prescribed factors below)<sup>1</sup>

Age <sup>2</sup>	2017+ Factor
71	5.28
72	5.40
73	5.53
74	5.67
75	5.82
76	5.98
77	6.17
78	6.36
79	6.58
80	6.82
81	7.08
82	7.38
83	7.71
84	8.08
85	8.51
86	8.99
87	9.55
88	10.21
89	10.99
90	11.92
91	13.06
92	14.49
93	16.34
94	18.79
95+	20

<sup>1</sup>For annuitants under the age of 71, the factor is based on the following formula:  $1 / (90 - \text{annuitant's or spouse's age})$ . No minimum withdrawal is required in the year in which the RIF is established. <sup>2</sup>Age is as of the start of the year.

## \*Old Age Security Clawback

- If your net income before adjustments exceeds \$75,910, part or the entire OAS pension amount may need to be repaid.
- The repayment amount is equal to 15% of the amount an individual's net income exceeds the threshold (\$75,910), up to the full OAS payment.
- Repayment amounts are normally deducted on a monthly basis as a recovery tax.
- The full OAS payment is eliminated when a pensioner's net income is \$123,386 or above.

# Education Planning

Registered Education Savings Plan (RESP)	
Details	
<b>Contribution Maximum</b>	There is no annual limit for contributions to RESPs. For each beneficiary, the lifetime contribution limit to an RESP is \$50,000.
<b>Contribution Age Limit</b>	Contributions can be made until December 31 of the 31 <sup>st</sup> year following the year the plan is entered into. Family plan only: final contribution must be made before the beneficiary's 31 <sup>st</sup> birthday.
<b>Plan Age Limit</b>	RESP must be collapsed before December 31 of the 35 <sup>th</sup> year following the year the plan is entered into.
<b>Penalty On Over-Contribution</b>	1% per month of the over-contribution amount outstanding at the end of the month.
<b>Basic Canada Education Savings Grant (CESG)</b>	20% on annual contributions made to all eligible RESPs for a qualifying beneficiary, to an annual maximum of \$500 (\$1,000 where there is unused grant room from a previous year). Additional contribution requirements apply to beneficiaries who are 16 or 17. Unused CESG grant room may be carried forward for possible use in the future. Lifetime maximum CESG amount per beneficiary is \$7,200. Please refer to CRA website for more information.
<b>Additional CESG<sup>1,2,3</sup></b>	Family income under \$45,916: additional CESG on the first \$500 in annual RESP contributions is 20%.
	Family income between \$45,916 and \$91,831: additional CESG on the first \$500 in annual RESP contributions is 10%.
<b>Canada Learning Bond (CLB)<sup>2,3</sup></b>	Provides \$500 at birth and \$100 annually (to a maximum of \$2000) until age 15 for children born after 2003 to families who meet certain income criteria (paid only in the years when the family's income qualifies).
<b>Quebec Education Savings Incentive (QESI)<sup>2,4</sup></b>	10% on the first \$2,500 of annual contributions (with greater support for families that qualify based on lower income) up to a lifetime limit of \$3,600 per child. The child must be named as a beneficiary of an RESP, be a resident of Quebec at the end of the year, and meet other eligibility requirements.
<b>British Columbia Training and Education Savings Grant (BCTESG)<sup>2,6</sup></b>	\$1,200 one-time grant to eligible beneficiaries born on or after January 1, 2006. The last day to apply is the day before the beneficiary turns 9 years old, but a grace period applies to children born between 2006 and 2008. The child must be a resident of British Columbia at the time of the application, and meet other eligibility requirements.
<b>Educational Withdrawals</b>	Educational Assistance Payment (EAP): Grant monies and accumulated income payable to the beneficiary and taxable as earned income for the beneficiary.
	Post-Secondary Educational (PSE) Contribution Withdrawal: Payable to subscriber who may gift it to beneficiary or retain it for him/herself with no tax payable.
<b>Non-Educational Withdrawals</b>	Accumulated Income Payment (AIP): Subject to certain conditions (including the repayment of grants), income earned in the plan is payable to the subscriber who may be able to transfer the amount to his/her RRSP (subject to availability of RRSP contribution room). If taken as cash, the AIP amount is taxable based on subscriber's marginal tax rate plus an additional 20% penalty tax. Alternatively, such amounts may be paid (gifted) to a designated educational institution in Canada.
	Refund of Contributions (ROC) If a beneficiary is not eligible for an EAP, the withdrawal of contributions is not taxable, but generally trigger CESG repayments and could require the repayment of certain provincial grants.

Source: CanLearn and Employment and Social Development Canada (ESDC). <sup>1</sup>For 2016, amount updated each year based on inflation rate. <sup>2</sup>The TD Mutual Funds Education Savings Plan supports only the basic Canada Education Savings Grant and not any other provincial or federal government RESP grants or tax incentives. <sup>3</sup>Effective January 2005. <sup>4</sup>Effective February 2007. <sup>5</sup>Effective January 2013. <sup>6</sup>Effective March 2016.

Consumer Price Index (CPI)		
Year	CPI	% Change
1951 – 1960	–	12.3
1961 – 1970	–	29.3
1971 – 1980	–	110.5
1981 – 1990	–	58.4
1991 – 2000	–	15.2
2001	97.8	2.5
2002	100	2.2
2003	102.8	2.8
2004	104.7	1.8
2005	107	2.2
2006	109.1	2.0

Consumer Price Index (CPI)		
Year	CPI	% Change
2007	111.5	2.2
2008	114.1	2.3
2009	114.4	0.3
2010	116.5	1.8
2011	119.9	2.9
2012	121.7	1.5
2013	122.8	0.9
2014	125.2	2.0
2015	126.6	1.1
2016	128.4	1.4
2017	130.5	1.6

Source: Statistics Canada. Base year: 2002 = 100.0. As of January 26, 2018.

## How to Manage Personal Tax Info and More Online

The CRA offers secure access to personal tax information through their website service called “My Account”. It includes information about tax refunds or balance owing, RRSP, Home Buyers' Plan, Lifelong Learning Plan, Tax-Free Savings Account and more. Visit [www.canada.ca/en/revenue-agency.html](http://www.canada.ca/en/revenue-agency.html) for more information.

For more information, talk to your Financial Advisor today.



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