Reuter Insight

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Top Tax Planning Tips for 2011

As the income tax filing deadline of April 30, 2011 approaches, it is important that Canadians take time to ensure they are planning wisely for the future. The following tax tips can help ensure we are saving and planning tax smart!

- Contribute the maximum amount allowed to your RRSP each year. While your plan may have a maximum amount you may contribute, the total you are allowed to contribute to all of your RRSP's combined is up to 18 percent of your earned income each year, to the annual maximum ($22,450 for 2011). Canada Revenue Agency (CRA) tells you on your Notice of Assessment how much RRSP room is available to you.

- Know who should contribute to an RRSP. If a couple has limited financial means, the spouse/partner with the higher income should consider making the RRSP contributions, as he or she will benefit the most from the allowable deduction. This deduction is calculated according to the taxpayer's tax rate: the higher the tax rate, the more beneficial the deduction. If you are considering contributing to your spouse's RRSP, the result can be a reduction in your current taxable income and an increase to your spouse's income at retirement. There are specific tax rules that need to be followed, however, and you should consult a professional for advice regarding this strategy.

- Ensure that you are receiving all of the credits you are entitled to when you file your income tax return. There are many deductions and/or credits that are missed by Canadians. CRA will let you know if you qualify. For example:

  You may be entitled to a tax-free quarterly cheque from the government for the Goods and Services Tax (GST) or the Harmonized Sales Tax (HST). Applying is as simple as ticking the box on your tax return that says you wish to apply.

  Many people miss claiming eligible medical expenses. To claim medical expenses, they must exceed 3% of your net income. To maximize your family's claim, you should claim all medical expenses for yourself, your spouse or common-law partner and your dependants (under 18) on one tax return. It's usually better for the spouse with the lower income to claim medical expenses - but, if the lower-income spouse already has enough tax credits/deductions, claim them on the higher-income spouse's return or carry them forward.

- Take advantage of the various tax efficient savings plans. Tax-Free Savings Plans provide you with the opportunity to save money and not pay tax on the savings as they grow or when the funds are withdrawn.

You may contact Reuter Benefits via telephone at 1-800-666-0142 or email at retire@reuterbenefits.com to discuss your tax strategy further.