

Budget 2015

The 2015 Federal Budget was delivered on April 21st and contains several changes that impact Canadians. Some of the changes are highlighted below, including several which relate to retirement and taxation.

Tax Free Savings Account (TFSA) Contribution Limit Increase

The annual TFSA contribution limit is being increased from the current limit of \$5,500 to \$10,000 effective for 2015 and subsequent calendar years. This means that eligible Canadians who are over 18 who have not contributed to a TFSA previously would have \$41,000 of contribution room in 2015.

A TFSA can be an effective tool to help save funds for an emergency, education, or retirement planning. Amounts withdrawn from a TFSA are not considered taxable income. Therefore during retirement, withdrawing funds from a TFSA can be tax effective because income-tested government benefits, such as Old Age Security and Guaranteed Income Supplement, would not be impacted.

Registered Retirement Income Fund (RRIF) Withdrawal Change

The budget announced that individuals will not be required to withdraw as much from their RRIF retirement savings going forward. Retirees who establish a RRIF plan are required to withdraw a minimum amount or greater from the plan each year. At age 71, the minimum amount that is required to be withdrawn from the RRIF will be 5.28%, reduced from the current rate of 7.38%. While it was identified that the required minimum withdrawal rates will still increase each year until age 94, at that time the rate will remain at 20% per year.

The lower required minimum withdrawal amount can result in a lower amount of income tax for retirees who choose to withdraw the minimum.

Other Personal Tax Changes

Other changes include:

- The Family Tax Cut: this is a federal non-refundable tax credit of up to \$2,000 for couples with children under the age of 18, allowing the higher income spouse or common-law partner to transfer up to \$50,000 of taxable income to the spouse or common-law partner for 2014 and subsequent tax years.
- The benefit payment period for the existing Compassionate Care Benefit program has increased from six weeks to six months effective January 2016. This is offered through the Employment Insurance program.



Complete Budget Information

Full details on the 2015 Federal Budget can be obtained by visiting the Federal Government website at www.budget.gc.ca or by calling 1-800-622-6232. To discuss changes to the RRIF minimum withdrawal rate or TFSA limits, you may contact Reuter Benefits at 1-800-666-0142.