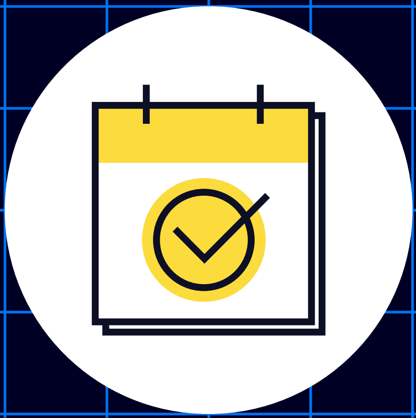
ATB WEALTH™

YEAR-END TAX PLANNING AND IMPORTANT DATES

2024 Reference Guide



Tax and investment planning is an activity that you can undertake at any point during the year. Consider taking time to do so before year-end if you haven't already done so earlier in 2024. Outlined in this guide are a variety of planning opportunities to get you started. An ATB Wealth advisor is here to help you determine what options and alternatives best suit your unique goals and circumstances.

TABLE OF CONTENTS

FIRST HOME SAVINGS ACCOUNT (FHSA)

The FHSA is a relatively new registered plan available to Canadian residents aged 18 or older that allows first-time home buyers a tax-advantaged option to save for the purchase of a home. Contributing to a FHSA is a tax-efficient way to save for your first home, as contributions are tax-deductible, while qualifying withdrawals (including withdrawals of any investment earnings or growth in the account) are tax-free.

FHSAs have a lifetime contribution limit of $40,000. Beginning in the year you open an FHSA, $8,000 is added to your FHSA participation room. If you contribute less than the FHSA participation room for a year, the unused portion is your FHSA carryforward, which is added to your FHSA participation room for the following year. The maximum amount of unused FHSA participation room that can be carried forward to a subsequent year is $8,000.

If your financial goals include the purchase of your first home, consider contributing up to $8,000 to an FHSA before December 31. Even if you don't have funds available to invest in 2024 but plan to begin your FHSA contributions in 2025, consider opening an FHSA before December 31, 2024 to maximize your FHSA participation room for the future.

FHSA

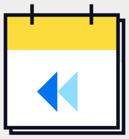
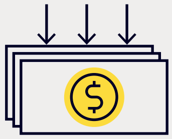
For more information on FHSAs, please refer to [ATB Wealth's FHSA reference guide.]

TAX-FREE SAVINGS ACCOUNT (TFSA) WITHDRAWAL PLANNING

If you anticipate accessing money from your TFSA in early 2025, it may make sense to withdraw the funds before the end of 2024. This will allow you to maximize your 2025 TFSA contribution room which will be relevant if you anticipate having funds available to re-contribute to your TFSA in 2025. Your 2025 TFSA contribution room will be made up of:

- The annual TFSA dollar limit ($7,000 for 2025); plus
- Any unused TFSA contribution room from the previous year; plus
- Total amount of withdrawals from TFSA's in the previous year (excluding qualifying transfers and withdrawals of TFSA "excess").

TFSA contribution room for 2025:

Annual TFSA dollar limit		Unused contribution room from previous year		Total withdrawals from previous year
$7,000	+		+	

REGISTERED EDUCATION SAVINGS PLAN (RESP) CONTRIBUTIONS

Contributing to a Registered Education Savings Plan (RESP) is a tax-efficient way to save for a child's education. The earnings grow tax-deferred and additional incentives are available from the government.

The Canada Education Savings Grant (CESG) is available from the federal government and will match up to 20% of the first $2,500 of contributions each year, equal to $500 per beneficiary, per year. Each beneficiary can receive a lifetime maximum CESG of $7,200. Consider making a RESP contribution by December 31 if you have not already maximized the current year's CESG. Families with low income may be eligible for additional government incentives.

In most cases, a beneficiary is eligible to receive CESG until the end of the year that they turn 17. In the case of a child that turns 15 in 2024, if there has not been contributions of at least $100 a year in any four previous years, a contribution would need to be made by December 31 such that the total RESP contributions reach the minimum $2,000 threshold in order to be eligible for CESG at age 16 and 17.

For more information on RESPs, please refer to [ATB Wealth's RESP reference guide.]

REGISTERED DISABILITY SAVINGS PLAN (RDSP) CONTRIBUTIONS

A Registered Disability Savings Plan (RDSP) is a tax-deferred savings plan to help people with a disability save for their future financial security. The earnings grow tax-deferred and additional government incentives are available in the form of Canada Disability Savings Bonds (CDSBs) and Canada Disability Savings Grants (CDSGs). Contributions to an RDSP can be made for individuals that qualify for the disability tax credit until the end of the year the beneficiary turns 59.

An RDSP beneficiary may receive up to a maximum of $3,500 CDSG and $1,000 CDSB per year of eligibility, depending on the beneficiary's family income. Although contributions to an RDSP can be made until the end of the year the beneficiary turns 59, the government incentives can only be paid into the plan until the end of the year the beneficiary turns 49.

Consider contributing to an RDSP before December 31 to receive the CDSG you may be entitled to in the year. The CDSB is determined based solely on the beneficiary's family income with no contributions required.

For more information on RDSPs, please refer to [ATB Wealth's RDSP reference guide.]

REGISTERED RETIREMENT INCOME FUND (RRIF) - TURNING 71 YEARS OF AGE

If you turn 71 in 2024, you only have until the end of the year to make your final Registered Retirement Savings Plan (RRSP) contribution. The March 3, 2025 deadline that applies to most other RRSP contributors does not apply to you.

In some cases, it may make sense for those that are 71 to over-contribute to their RRSP before the end of the year and prior to transferring the RRSP to a RRIF. The first $2,000 of over-contribution has no penalty and, provided that you have earned income in 2024, which would generate contribution room in 2025, you would be able to deduct the contribution in 2025. You would still be subject to the 1% penalty tax and would be required to complete **CRA form T1-OVP** to report the over-contribution. The 1% penalty tax would apply for only one month, however, if the contribution was made in December.

RRIF - OVER AGE 71

If you are over 71 and no longer eligible to contribute to your own RRSP but still have available RRSP contribution room, you may have another option. If you have a spouse 71 or younger, you may be able to decrease taxable income by contributing to a spousal RRSP. This option is available until the end of the year that the younger spouse turns 71.

71

RRIF - AGE 71 OR UNDER

Although initiating income from your RRSP is not a requirement until age 72, those age 65 or older who do not receive income from an employer pension plan may wish to consider transferring some of their RRSP to a RRIF. By transferring enough to initiate a $2,000 RRIF withdrawal each year, a corresponding "pension income credit" will be generated. This tax credit will offset some, if not all, of the tax payable on the $2,000 of income. The value of the pension credit for 2024 can be illustrated as follows:

	Qualifying pension amount	Applicable tax rate	Savings
Federal savings	$2,000	15%	$300
Provincial savings	$1,685	10%	$169
Combined savings			**$469**
Combined annual savings if doubled (i.e. spouse also has credit)			**$938**

The credit for an individual on the first $2,000 of RRIF income would be worth $469, as calculated in the table above. So, for example, by transferring $14,000 to a RRIF at age 65 and initiating income of $2,000 per year for the seven years before RRIF withdrawals are required, you would save $3,283 in tax on that income. This strategy is not for everyone. The payments will increase an individual's income level and may affect your Old Age Security (OAS) and other government benefits. If this strategy is implemented, it is recommended that the $2,000 RRIF payment be transferred in-kind to a Tax-Free Savings Account (TFSA) to continue its tax efficient growth. Ultimately, you need to be aware of the consequences to your retirement savings if the payments are spent rather than reinvested.

CHARITABLE DONATIONS

To be eligible to receive a tax credit for the 2024 tax year, charitable donations must be made by December 31, 2024. A taxpayer can claim donations up to 75% of their net income in any year. Any amount not utilized in the year can be carried forward and claimed in any of the five subsequent years.

For Alberta resident individuals, the combined federal and provincial charitable donation tax credits will represent 75% on the first $200 donation in the year, 50% on donations in excess of $200 (where the taxpayer is not in the top federal marginal tax bracket) and 54% on donations in excess of $200 (where the taxpayer has sufficient income above $246,752).

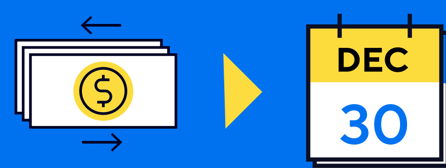
For example, on a $10,000 donation for an individual with $250,000 of income:

	First $200	Amount subject to regular rate	Amount at increased federal rate (i.e. income above $246,752)	Total credit
Federal				
Donation	$200	$6,552	$3,248	
Rate	15%	29%	33%	
Tax credit	$30	$1,900	$1,072	$3,002
Provincial				
Donation	$200	$9,800	-	
Rate	60%	21%	-	
Tax credit	$120	$2,058	-	$2,178
Combined federal and provincial credit for donation				**$5,180**

IN-KIND DONATION OF SECURITIES

If a taxpayer donates publicly listed securities, assuming the charity allows for in-kind donations, the donor can not only claim the full value of the securities for the donation tax credit but can also utilize an additional benefit of a zero inclusion rate on any capital gain realized. Please note that the in-kind transfer would have to be made by December 30, 2024 to qualify for the 2024 tax year. As these transactions can take some time, the process should already be started to ensure the charity is able to issue the receipt by the end of the year. Most charities have a donation form available and ATB Wealth has also created a form for this purpose.

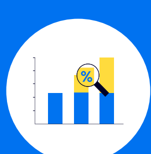
In-kind transfers must be made by December 30 to qualify for the 2024 tax year



CAPITAL GAINS INCLUSION RATE

Effective June 25, 2024, the capital gains inclusion rate increased from 50% to 66.67% for individuals on the portion of their capital gains that exceed $250,000 in a given calendar year. For individuals with large unrealized gains in their investment portfolios or on other capital assets, this change means that a larger portion of capital gains can be subject to taxes. Because of these changes, some Canadian taxpayers will have new considerations to address for year-end planning in 2024 and beyond.

There is now a benefit to keeping annual capital gains below $250,000. For the 2024 tax year, this applies specifically to capital gains realized between June 25 and Dec. 31, 2024.



For more information about the changes to the capital gains inclusion rate including planning considerations related to tax-loss selling (discussed on the next page), please refer to ATB Wealth's article: How capital gains tax changes impact year-end planning.

TAX-LOSS SELLING

Selling an investment for a capital loss, often referred to as tax-loss selling, is a tax strategy that can be used to minimize capital gains. In order to realize losses for the end of the year, trades must be made on or before December 30, 2024, otherwise the trade will not settle until 2025 and the loss won't be available until the following year.

Tax-loss selling only applies to investments held outside of registered plans (i.e. RRSPs, TFSAs, etc. are not eligible). The investments can include mutual funds, stocks and other property such as a rental property (but does not include a personal residence). Investments should not be sold just to trigger a tax loss. Selling securities at a loss should only be done as part of an overall investment plan and if you no longer have a reason to hold the security.

When an investment is sold at a loss, the capital loss will first offset capital gains earned in the same year. Capital losses may only be used to offset capital gains, not to reduce other income. If you have no capital gains in the current year, or your capital losses in the current year exceed your capital gains, the remaining capital loss is known as a net capital loss. You may carry a net capital loss back and apply it against taxable capital gains realized in any of the three previous years. A net capital loss realized in 2024 could be applied against taxable capital gains realized in 2021, 2022 or 2023. The net capital loss may also be carried forward indefinitely to be used against future taxable capital gains.

Consideration should also be given to the superficial loss rules. Generally speaking, a capital loss is defined as superficial if, during the 30 days on either side of the date of sale, the taxpayer (or an affiliated person) purchases the same property or one deemed to be identical. If this is the case, the loss cannot be used to offset capital gains, but rather it will be added to the adjusted cost base of the substituted property. This will either decrease a capital gain or increase a capital loss when the substituted property is sold. In the case of an in-kind transfer to a TFSA or RRSP, any loss would also be considered superficial and would not be available to offset capital gains. From the Canada Revenue Agency (CRA)'s perspective, you have not actually lost anything – you are still holding your same position in that investment; it has just been moved to a different vehicle.

A net capital loss can be applied to capital gains realized in the previous three years, or carried forward indefinitely

INTEREST PAYMENTS

Generally, most interest paid on money you borrow for investment purposes is tax deductible. This applies as long as the proceeds are used to earn investment income, including interest and dividends. To be deductible for 2024, the interest expenses must be paid by December 31 and will be claimed on line 22100 of your tax return; however, be aware that you cannot deduct interest paid on money borrowed to invest in RRSPs, TFSAs, RESPs, RDSPs or FHSAs.

REDUCE WITHHOLDING TAX AT SOURCE

As much as getting a tax refund can feel like a windfall, in essence it means you have paid the CRA too much tax throughout the year. You have essentially given the government an interest-free loan. Individuals should consider completing and submitting **CRA Form T1213**; which, once approved, will allow your employer to reduce the amount of tax withheld at the source by taking into account deductions such as RRSP contributions and child care expenses. This will increase the amount in your pocket for 2025.

EMPLOYEE BENEFITS

If you are a member of an employee benefit plan ensure you access all the benefits available to you by the end of the year. If you have unused funds that you can use for you or your family's health and wellness (dental, optical, prescription drug plan, paramedical services, wellness programs) the credits will often expire at the end of the year. Use these credits before they expire.

Year-end planning is also required when choosing your group benefits for the upcoming year. If you are a member of a group savings or pension plan, choose a contribution amount that maximizes any company matching contributions. Review any investment choices that you have made and ensure your investments are in-line with your long-term savings goals. Spend time reviewing the options for dental, optical, insurance (life, disability, critical illness) and health and wellness coverage for the upcoming year. If your spouse or common-law partner is also a member of an employee benefit plan, understand how the two plans can work together to provide the best coverage for your family.

Whether it's insurance, health and dental benefits or your company's pension or savings plan, these are part of your compensation package and year-end is a great time to review your situation and ensure you are maximizing the benefits available to you and your family.

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