

Year End Tax Planning Checklist

While tax time may seem many months away, there are some things that need to be done by year-end in order to save tax on your 2004 return. Here's a handy checklist of areas to watch for:

- **Some payments must be made by year-end in order to claim a tax deduction.** These include: charitable donations, professional memberships, investment counsel fees, political contributions, and deductible legal fees.
- **Make RESP contributions for children or grandchildren.** Unlike RRSPs, unused RESP contributions can't be carried forward to future years. Contributions must be made by December 31 of each year.
- **If you exercised stock options during the year, consider deferring the tax to the extent possible.** You must notify your employer by January 16, 2005 to have the deferral reflected on your T4 slip.
- **Make an advance RRSP contribution.** If you turned 69 in 2004, you have to wind up your RRSP by year-end. If you still have earned income in 2004, which will give you RRSP room in 2005, make your contribution in December before winding up your plan. There will be a small over contribution penalty for that one month, but this will be more than offset by the value of the tax deduction next April.
- **If you're 65 or older, consider converting some RRSP funds to a RRIF or annuity before year-end.** As long as you don't have any other pension income (except for CPP), you'll be entitled to claim the pension income credit, which offsets the tax on the first \$1000 of pension income per year.
- **When purchasing mutual funds outside of a registered plan, consider waiting until the new year.** Many funds have a taxable distribution that takes place in December. If you purchase these funds before the distribution date, you'll have a tax bill to pay, even though your investment hasn't really made you any money yet.
- **Review your non-registered investments with your advisor to determine your tax situation.** You may want to sell investments that have dropped in value to absorb the tax on capital gains you've already realized.

