

Links2Care seeks apartments for emergency situations

Links2Care offers transitional housing for homeless families in Acton and Georgetown and we are seeking landlords willing to participate in this program.

We are looking for two bedroom apartments that would be suitable for families and it would be ideal if the utilities were included in the rent. If you would like more details about this program please call Cathy, 519-853-3310.

Income tax clinics

During April, trained volunteers from the Community Volunteer Income Tax Program are available at our Acton and Georgetown Links2Care offices to complete income tax returns for lower income individuals. Singles with incomes up to \$25,000 and couples with incomes up to \$35,000 are eligible and there is no charge for this service.

For an appointment please call Brenda in Georgetown, 905-873-6502 or Cathy in Acton, 519-853-3310.

Winter warmth help

The struggle to meet your financial commitments can sometimes mean that you find yourself a little short when the time comes to pay your Union Gas bill. If you've had difficulty paying this bill or are concerned about making your next payment, Winter Warmth may be able to help.

The Winter Warmth Program is designed for low income families and individuals living at or below the poverty line who have exhausted all other sources of financial support. Upon successful completion of the application process, the funds will be credited to your heating bill.

To qualify for this assistance, low income households must be Union Gas customers and have bills that are in arrears or have recently received a disconnection notice.

Links2Care works in cooperation with the United Way of Halton Hills and Union Gas to offer this program. To find out more about applying for this assistance please call Cathy, 519-853-3310.

Money Talks

Income Split to Save Taxes

With one month left before the April 30th filing deadline, it is likely too late to be thinking about tax savings solutions for 2009. However, it is not too late to ensure that you pay the least amount of taxes possible for 2010. With interest rates at historic lows, you may want to consider a loan to a family member as a way of splitting income with an individual in a lower income tax bracket. The borrowed funds can then be used by your family member to make investments at higher rates of return than the interest rate on the loan. The net income earned (after deducting the interest expense paid to the lender) will be taxed in the hands of your borrowing family member at their lower income tax rate, which can be a significant saving to the family.

Canadian tax law has complex attribution rules designed to reduce income splitting opportunities. Generally, if you gift any capital or money to a family member your gifted capital will be transferred at the Adjusted Cost Base (ACB) at the time of transfer and may trigger a capital gain or income to you immediately. Any future investment income and capital gain on the eventual sale may be taxable in your hands.

The way around attribution rules is to make an investment loan to a family member at the "prescribed interest rate," then the gains or income the family member earns would not be taxed at the higher tax rate.

The Canada Revenue Agency (CRA) applies prescribed interest rates calculated quarterly and are based on 90-day Treasury bill rates, which are approximately 1%. In the case of the attribution rules, as long as the interest rate on the loan you make to a family member is not lower than the prescribed rate at the time of the loan, then the attribution rules do not apply.

Not only should the invested funds generate a return at least equal to the interest expense in order to make the loan mechanism worthwhile, but your borrowing family member must also be able to pay the interest to you each year, so ensure that he or she has sufficient cash available to pay the interest on your loan.

Example:

Matthew has a significant amount of savings and decides to use a prescribed 1% rate loan to split income with his wife, Angela. Angela signs a promissory note for \$100,000 with Matthew, payable on demand, interest to be paid annually. Angela is able to generate a net return of 5%. Matthew receives interest income of \$1,000 from Angela. Angela generates \$5,000 of income, less the \$1,000 deduction, paid to Matthew. Angela's net income is \$4,000. Matthew, who is in the top bracket (46%) is able to transfer a net of \$4,000 to a lower tax bracket (21%) and save the family approximately \$1,000 in tax.

Prescribed interest rate loans are a tax efficient method of income splitting to a lower income family member, reducing tax and improving your family's overall financial growth.

If you would like to know how we can help you pay less tax this year or in the future, call us for a free, no obligation consultation and let our professionals work for you. For more information or to book an appointment please call Buttle and Tavano at 905-873-8837.

Article Submitted by:

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Buttle and Tavano Professional Corporation



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Q. I am recently retired, how can my spouse and I benefit from pension income splitting?

A. Since the introduction of the pension income splitting rules in 2007, many families have significantly reduced their total tax bill by allocating certain types of retirement income to their spouse who is taxed at a lower rate. Please call me for a copy of my article which summarizes the pension income splitting rules and outlines key opportunities to be considered as part of your overall plan to draw upon your retirement income.

The basic rules are as follows:

Income splitting is allowed for eligible pension income received during the year. In order to achieve the optimum results for a couple, any amount between 0% and 50% of the eligible pension income may be allocated to your spouse for income tax purposes.

Only certain income is eligible to be split under the pension income splitting rules. The type of eligible pension income also depends on the age of the person who is the primary recipient of the income. In most cases, a primary recipient who is under 65 years of age during the entire tax year will be able to split only the income that is paid to them directly from a pension plan. A primary recipient who is at least 65 years of age during the tax year will have more types of income that are eligible to be split with their spouse.

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