Strategies to Minimize the Impact of Taxes

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Keep more of your money in your pocket and portfolio.

Over the course of your life, a significant amount of your income will go to taxes. Did you know that the tax bill of the average Canadian family has risen by 1,939% since 1961? It sounds startling, but Canadians now spend more on taxes than they do on basic necessities like food, shelter and clothing combined.

That includes tax on investments. As an investor in Canada, you should also be ready to pay taxes on interest-bearing investments, dividend-paying investments, capital gains and foreign investments. The amount of tax you'll pay depends on the type of investment you make, the tax laws in your province, whether the investments are held in a tax-sheltered plan, and your income.

With so much of your income already going towards tax, the question in your mind might be: how do I keep more money in my pocket? Here are some personal tax-saving strategies to do just that:

- Maximize a Tax-Free Savings Account (TFSA) and consider investing in mutual funds that will allow investment income to grow tax-free.
- Use a Registered Retirement Savings Plan (RRSP), which can defer taxes to future years.
- For those who have a disability, maximize tax-deferred savings in a Registered Disability Savings Plan (RDSP).

- Split your RRSP contribution with your spouse, which can free up money to save or invest.

Effective tax and estate planning are integral parts of the financial planning process. While it’s important to find ways to reduce your tax bill come tax season, it’s ideal to find strategies that will help you year-round.