

### Inside this issue:

Preparing for Retirement	1
When Should I Start Receiving CPP Income?	2
Medical Expense Tax Credit – Nursing Homes vs. Retirement Homes	3
How do you use a capital loss?	4



### Special points of interest:

- **Personal tax instalments:**
  - ▶ March 15, 2016
  - ▶ June 15, 2016
  - ▶ September 15, 2016
  - ▶ December 15, 2016
- **Personal tax filing deadline is May 2, 2016.**
- **Federal Budget will be tabled on March 22, 2016.**
- **Trust filing deadline is March 30, 2016.**

## Preparing for Retirement

*Jeff Saunders, CPA, CA, Tax Partner, Teed Saunders Doyle & Co., Fredericton, NB, DFK Affiliate Firm*

As many Canadians approach retirement age, they find that they are faced with many decisions regarding their income in the years before and after they retire. They may have done everything right during their working years and have a comfortable nest egg set aside to fund their retirement. However, they may find that this nest egg is spread over many different accounts. This can lead to some uncertainty as to where they should be drawing their income from, as well as the timing of when they draw income from the various available sources.

Many Canadians approaching retirement will have funds available from many (or perhaps all) of the following:

- Registered Retirement Savings Plan (RRSP)
- Spousal RRSP
- Tax Free Savings Account (TFSA)
- Employer sponsored pension plan
- Old Age Security (OAS)
- Canada Pension Plan (CPP)
- Non-registered investment accounts
- Investment accounts inside a privately held corporation
- A cottage or rental property that can be sold to help fund retirement

There are many different factors to consider when deciding when and how much to draw from each of these available sources. One of the biggest factors to consider is the tax consequences. Will the withdrawal

be taxable (such as withdrawals from an RRSP) or will it be tax-free (such as withdrawals from a TFSA)? Will the taxable income lead to clawback of the OAS? There are many other questions you will need to answer as well, such as, when should I start taking CPP? Is it worth the penalty to start receiving CPP before age 65, or is it better to wait? Also, what are the consequences of converting the RRSP to a Registered Retirement Income Fund (RRIF) at age 71, and how much will the mandatory minimum withdrawals be each year? Proper planning can help minimize tax and maximize the funds available for you to enjoy during your



retirement years. As you approach retirement age and begin to face many of these complex decisions, your local DFK affiliate can work with you and your financial advisors to help determine the optimal approach to meet your retirement needs.

## When Should I Start Receiving CPP Income?

Sharon Gross, Tax Manager, Kenway Mack Slusarchuk Stewart LLP, Calgary, AB, DFK Affiliate Firm

Many of you who have contributed to CPP over the years are approaching retirement and may be asking yourself when you should start receiving CPP income? The standard age to receive CPP is 65, but you can take a reduced CPP as early as age 60, or you can get an increased benefit by delaying receiving CPP up to age 70. The answer to your question is, "it all depends."



The amount of CPP is based on how much you have contributed and how long you have been making contributions to the CPP. Factors that can affect the amount of CPP that you will receive include: the drop-out provision whereby a certain number of your lowest earnings months are excluded from the CPP calculation; the child-rearing provision whereby an adjustment is made for low income earnings periods when you were raising your children; and credit splitting between you and your former spouse. You should contact Services Canada to determine the CPP income that you are entitled to.

From 2012 to 2016, the Government of Canada has gradually been changing the early CPP pension income reduction so that, by 2016, the entitlement to receive CPP is reduced by 0.6% for each month that you receive CPP before age 65. For a person who receives their CPP at age 60 in

2016, this represents a reduction of 36% from the amount they would receive if they waited until age 65.

If you take your CPP after age 65, your monthly payment amount will increase by 0.7% for each month that you delaying receiving it up to age 70. Thus, an individual who starts receiving CPP at age 70 will receive 42% more than if they had taken it at age 65.

A pension consultant has determined that you will be ahead financially, considering the CPP only, if instead of taking CPP at age 65, you take your CPP at:

- Age 60 and don't live past age 69
- Age 61 and live past age 69 but not past age 71
- Age 62 and live past age 71 but not past age 73
- Age 63 and live past age 73 but not past age 75
- Age 64 and live past age 75 but not past age 77
- Age 66 and live past age 77 but not past age 79
- Age 67 and live past age 79 but not past age 81
- Age 68 and live past age 81 but not past age 83
- Age 69 and live past age 83 but not past age 85
- Age 70 and live at least until age 86.

Other factors to consider when deciding when to receive CPP include: current and future income tax bracket; immediate versus future income needs; and the impact of receiving CPP on any other benefits, such as Guaranteed Income Supplement and Old Age Security.

If you choose to receive CPP before age 65 and continue working, you must contribute to CPP until you are at least age 65. These contributions will result in a supplement to your CPP income.

So, the decision as to when to receive CPP income depends on your particular situation.

## Medical Expense Tax Credit – Nursing Homes vs. Retirement Homes

Becky Turcotte, CPA, CA, Supervisor, Ginsberg Gluzman Fage & Levitz, LLP, Ottawa, ON, DFK Affiliate Firm

The federal and Ontario governments have tax credits available to taxpayers, including those paid for medical expenses. The Medical Expense Tax Credit (METC) can be claimed for costs associated with nursing and retirement homes that are paid by you or your spouse.

METC claims depend on several factors, including the kind of facility you reside in, your medical condition, the level of your income, and dependency on others.

The differences between a nursing home or long-term care facility and a retirement home can be determined by level of care, cost, and medical situation.

### Level of care

A nursing home or long-term care facility is intended for individuals who require significant day-to-day attention and medical care. The facilities have 24-hour nursing care and supervision. A retirement home is for more independent and healthy seniors who need minimum to moderate day-to-day assistance.

### Cost

Nursing homes or long-term care facilities are more affordable because they are government funded and regulated. Retirement homes in Ontario are private and not typically subsidized by the government.

### Medical situation

You may find yourself in one of the following three scenarios when considering what can be claimed:

- You have a disability certificate approved by the Canada Revenue Agency (CRA);
- You are **not** eligible for a disability certificate, but have a letter from a qualified medical practitioner; or
- You are without a disability certificate and a letter from a medical practitioner.

### Disability Tax Credit Certificate

You can obtain a Disability Tax Credit Certificate (DTC Certificate) from a medical doctor, certifying that you have a severe and prolonged impairment in physical or mental function.

The completed DTC Certificate, Form T2201, must be approved by CRA, and is available on CRA's website: <http://www.cra-arc.gc.ca/E/pbg/tf/t2201/README.html>.

### Letter from a qualified medical practitioner

Some medical conditions may not meet the stringent conditions to be eligible for the DTC Certificate. In those situations, you should obtain a letter from a qualified medical practitioner, certifying that due to a physical or mental infirmity you are in need of a full-time attendant or care in a facility.

### Nursing home or long-term care facility

You are able to claim 100% of the costs paid to a nursing home or a long-term care facility if you have a CRA-approved DTC Certificate, or a letter from a qualified medical practitioner. Without them, you are unable to claim expenses paid to a nursing home or long-term care facility.

### Retirement home

If you have a DTC Certificate, or a letter from a qualified medical practitioner, you are able to claim expenses related to "care by an attendant" paid to the retirement home on your tax return.

There is an exception for retirement home residents who live on a critical care floor in that CRA treats those taxpayers the same as those in a nursing home for tax purposes. Critical care floor residents with a DTC Certificate, or a letter from a qualified medical practitioner, can claim 100% of the total fees paid to the retirement home as medical expenses.

Claiming medical expenses can be confusing. Consult your tax advisor to determine what you can and cannot claim to maximize your tax savings.

## How do you use a capital loss?

*Patricia Day, CPA, CA, CBV, TEP, Partner, Ginsberg Gluzman Fage & Levitz, LLP, Ottawa, ON, DFK Affiliate Firm*



You have a capital loss when you sell a capital property for less than its cost and the outlays and expenses involved in selling the property.

Generally, if you have a capital loss in a year, you have to apply it against your capital gains for that year. If you still have a net loss, one-half of it becomes your net capital loss for the year. You can use a net capital loss to reduce your taxable capital gain in any of the three preceding years or in any future year.

2015 net capital losses can be carried back to 2012,

2013, and 2014 to offset your taxable capital gains in those years. If it is carried forward, and the inclusion rate changes for capital gains in the future (currently 50% of the capital gain is taxable), the net capital loss carried forward will also be adjusted.

When determining your capital losses, special rules apply if you dispose of depreciable property (such as a building or equipment) or personal use property (items that you own primarily for personal use, such as automobiles, boats, and cottages).

Speak with your accountant when determining how best to report your capital loss.