

Planning Checklist for Pension Income Splitting

A variety of provisions are affected on the personal tax return as a result of the opportunity to split up to 50% of eligible pension income with the spouse. Consider this checklist in planning for tax efficiency:

- **CPP Assignment:** Is it still advisable the CPP benefits are split between spouses?
- **Income Allocation:** A rethinking of who should draw income from RRSPs and RRIFs first and in what amount is required. The same is true of income allocation for interest and dividend sources.
- **Realization of Taxable Gains:** With income split off to the spouse, does it make sense to tap into some taxable gains this year? How does that affect tax loss utilization? Intergenerational transfer of cottage properties?
- **Small Business Owners:** Should family and owner/manager compensation structures be altered? Should net income levels for the purposes of CPP contribution stay the same?
- **Interspousal Loans:** Should more or less capital be transferred from the higher earner to the lower by drawing up interspousal loans for investment purposes?
- **Instalment Payments:** These could decrease for the higher earner, possibly put the lower earner into the quarterly instalment profile. Review this before the first instalment for 2007 (March 15) is required. It's possible there will be more cash flow and a smaller tax liability this year. If so, base instalments on an estimation of current year taxable income.
- **OAS Clawbacks** for each taxpayer may be reduced in cases where individual net income levels fall between \$63,511 and approximately \$102,865 in 2007.
- **Age Amounts:** The 2007 Age Amount is \$5,177, which is reduced when individual net income exceeds \$30,936.
- **Spousal Amount:** The 2007 Spousal Amount is \$7,581 which is reduced when net income exceeds \$759.
- **Transfers from Spouse on Schedule 2:** Claims to the higher earner could decrease.
- **Medical Expenses:** Claims could increase if the lower income earner becomes taxable as a result of the transfer of the eligible pension income.
- **Charitable Donations:** Who should make the claim now to maximize benefits? Remember, a better tax result occurs when charitable donations claimed exceed \$200. Spouses can claim each other's gifts, providing receipts are available.
- **Political Contributions:** Again, spouses can act as agents of one another for these purposes when making claims. Where is the best benefit after pension income is split?