

Shedding some light on taxation: your advisor can help

Lévis, March 20, 2015 – According to a recent survey by Desjardins Wealth Management, 95% of Quebecers feel it's very important or somewhat important to minimize their tax bill, but 32% admit they don't have a strategy for doing so.

"Wealth management advisors guide investors by offering customized strategies," explains Angela Iermieri, financial planner for Desjardins Financial Services Firm and spokesperson for Desjardins Wealth Management. "Drawing up a financial plan allows us to do a personalized analysis so we can determine the best way to maximize the various tax and investment strategies available."

While half of Quebecers have an RRSP, only 17% of survey respondents say they use their RRSP contribution as a strategy for optimizing their tax situation. In terms of other tax optimization strategies, only 6% cited TFSAs, despite their popularity, and 4% mentioned eligible deductions. So it's not all that surprising that three out of four Quebecers give themselves a C or lower for their tax literacy.

Three tax strategies: RRSPs, TFSAs and RESPs

Contributing to an RRSP is the most popular tax strategy. This strategy allows you to lower your taxable income during the time in your life when your marginal tax rate is highest and defer taxation until retirement, when your tax rate is usually lower. With a TFSA, you can accumulate tax-free savings (with a cumulative contribution limit of \$36,500 as of 2015) and make non-taxable withdrawals. If you have minor children, the [Registered education savings plan](#) (RESP) is another good tax strategy. This plan includes government grants up to \$900 per year for a \$2,500 annual contribution, depending on the net family income.

Corporate class Fund investment strategy

Certain little known investment products can also be used to reduce the tax on investments held outside tax-sheltered plans. Corporate class funds allow you to convert shares of a class into shares of another class within the same fund without triggering an immediate capital gain, deferring investment income to a time when your marginal tax rate will be lower, like when you retire.

Retirement income splitting strategy

Income splitting involves splitting the taxation of certain retirement income between spouses in order to be taxed at the lowest rate possible, subject to certain rules. When the higher-earning spouse transfers the taxation of a portion of their income to the lower-earning spouse, the total tax payable for the couple is reduced. Starting from age 65 in Quebec since 2014, retirement income splitting before age 65 can still be done at the federal level for income from a company pension plan. After age 65, retirement income splitting is applicable to all eligible retirement income.

Maximizing available tax measures

The governments offer a variety of measures that can help you save money this tax season. Whether you're a parent, a senior, a business owner or a student, it's important to be informed so you can [maximise the personal tax credits and deductions available](#) when filling personal income tax.

About the SOM taxation survey

The online survey was conducted between January 16 and 22, 2015 by the SOM research firm among 2,046 adult Internet users in Quebec. Maximum margin of error $\pm 1.3\%$, 19 times out of 20.

About Desjardins Group

[Desjardins Group](#) is the leading cooperative financial group in Canada and the fifth largest cooperative financial group in the world with assets of more than \$229 billion. It has been rated one of the 50 Best Employers in Canada by Aon Hewitt. To meet the diverse needs of its members and clients, Desjardins offers a full range of products and services to individuals and businesses through its extensive distribution network, online platforms and subsidiaries across Canada. The group has one of the highest capital ratios and [credit ratings](#) in the industry. In 2014, Desjardins was named the fourth safest bank in North America by *Global Finance* magazine and the second strongest bank in the world by *Bloomberg News*.

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