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CESTNICK

TAX MATTERS

Consider these year-end tax strategies for seniors

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I was talking to my mother this week. She's been feeling like she's out of shape, so she joined a fitness class for seniors. "Tim, I bent, twisted, gyrated, jumped up and down, and perspired for an hour. But by the time I got my leotard on, the class was already over." So, rather than spending time at the gym, she sat down with me and we talked about year-end tax planning for seniors. Here are some ideas that came out of that conversation.

1. Watch the clawback line. For 2026, your Old Age Security is clawed back once your net income tops $95,323, at 15 cents for every dollar above that amount. Look at your income for this year now. If you're close to that line, consider pushing a capital gain or an extra RRIF withdrawal into January. Also, watch dividends. Eligible dividends are grossed up by 38 per cent on your tax return, which can push you over the threshold and trigger OAS clawbacks.

2. Fill the low brackets. This is the flip side. If your income is modest this year, it can pay to withdraw more from your RRSP or RRIF than you need. Paying tax at a lower rate today beats paying the top marginal tax rate on a large RRIF that could be fully taxed when you pass away. A smaller RRIF at 71 also means smaller forced withdrawals later.

3. Claim the pension credit. At 65, you're entitled to a federal pension credit on up to $2,000 of eligible pension income. If you have no pension, consider converting a portion of your RRSP to a RRIF and withdraw $2,000 each year. At lower income levels, the credit can make that money essentially tax-free. Repeat it every year until 71.

4. Split your pension income. You can allocate up to half of your eligible pension income to your spouse on your tax returns. That includes defined-benefit pension income at any age, and RRIF withdrawals once you're 65. Shifting income to the lower earner saves tax. It can also keep both of you under the OAS threshold, which applies to each spouse separately.

5. Beat the age-71 deadline. If you turn 71 this year, you'll have to convert your RRSP to an RRIF, or buy an annuity, by Dec. 31. If you have earned income this year, it creates RRSP room for next year, but since your RRSP won't be around, consider making next year's

contribution in December. You'll pay a 1-per-cent penalty on the excess contributions for a single month, but you'll be able to deduct the contribution next year. If your spouse is younger, base your RRIF withdrawals on his or her age.

6. Time your TFSA withdrawals. If you plan to withdraw from your TFSA early next year, do it before Dec. 31 instead. The withdrawal is added back to your contribution room on Jan. 1, not a year later. The 2027 limit is expected to rise to $7,500, though it isn't confirmed yet. If your RRIF minimum is more than you need, move the extra into your TFSA. TFSA withdrawals don't count toward the OAS clawback.

7. Harvest your losses. Sell investments with accrued losses to offset capital gains realized this year or in the past three years. With trades now settling one business day after the trade date, your deadline for trades is Dec. 30. Watch the superficial loss rule. If you, your spouse, your RRIF or your TFSA buys the same security within 30 days before or after the sale, the loss is denied.

8. Give shares, not cash. Donate publicly traded securities with accrued gains directly to a charity rather than selling them first. You'll pay no tax on the gain and still get a donation receipt for the fair market value. The gift should be completed by Dec. 31.

9. Maximize medical claims. You can claim medical expenses for any 12-month period ending in the year, so pick the window that produces the biggest claim. It's usually best to claim the family's medical expenses on the lower-income spouse's return. If big bills are coming, paying them by year-end can bring the credit forward a year. And don't forget about the home accessibility tax credit, disability tax credit and attendant care costs.

10. Tie up loose ends. If you pay quarterly instalments, make your Dec. 15 payment on time to avoid interest – or make the payment early to minimize interest if you've underremitted instalments this year. If your income dropped this year, ask the CRA to reduce your OAS clawback withholding using Form T1213(OAS). Finally, review your beneficiary designations on your registered plans.

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