



CESTNICK

TAX MATTERS

With fall in the air, investors need to start year-end tax planning

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‘Tis the season to be thinking about saving taxes for 2026. If you’re an investor, think about the following strategies.

Defer capital gains. If you’re planning to sell a personal investment with an accrued gain, ask yourself whether the sale really has to happen before Dec. 31. Waiting until January can push the taxable gain into 2027 and can delay any tax bill by a year. Selling now may still make sense if you have losses available, expect a higher tax rate next year, or simply think it’s time to sell the investment for other reasons.

Harvest capital losses. If you’ve realized capital gains in 2026, look for investments in your portfolio with accrued losses. Selling them before year-end can create capital losses to offset gains this year. Unused net capital losses can generally be carried back three years or forward indefinitely. Just watch the superficial loss rules, which can deny a loss if you, your spouse or an affiliated entity buy the same or identical property in the period that is 30 days before or after your sale.

Check your bare trusts. Do you hold legal title to an investment, bank account or real estate for someone else? Starting with taxation years ending on or after Dec. 31, 2026, certain “reportable bare trusts” can have a T3 return and Schedule 15 filing obligation. There are exceptions, particularly for accounts holding \$50,000 or less, so don’t assume every joint account is caught. Year-end is a good time to figure out if you have any joint accounts or other arrangements that are caught under these reporting rules.

Tim Cestnick: Year-end is an opportunity for families to focus on tax savings

Watch the 21-year clock. Many family trusts are deemed to dispose of their assets – that is, capital property – every 21 years at fair market value, which can trigger a tax hit even though nothing was sold. If a trust you’re involved with is coming up to its 21st anniversary, get advice now. In some cases, assets can be distributed to beneficiaries on a tax-deferred basis before the anniversary to avoid taxes, or there may be other

options to side-step that tax hit, so speak to a tax pro.

Revisit private-company dividends. Dividends from a private corporation can run into the tax on split income, or TOSI, rules when they're paid to family members. When TOSI applies, the income is generally taxed at the top marginal rate, which can wipe out any income-splitting benefit. Before declaring year-end dividends from a corporation, confirm whether the recipient fits within an exclusion that avoids TOSI.

Check your AMT exposure. The alternative minimum tax, or AMT, can surprise investors because it uses a separate tax calculation and limits the benefit of certain deductions, credits and preferentially taxed items. Large capital gains, loss carryforwards, interest deductions and other carrying charges, and donations can all contribute to AMT. If 2026 has been an unusually big year for gains, donations or deductions, have your tax preparer calculate your AMT exposure before year-end. Any AMT balance can be claimed as a credit in the following seven years – so it may not be a permanent loss of dollars.

Make interest deductible. Review your debts before year-end. Interest is normally deductible when you borrow money to earn income from business or property, while interest on personal borrowing isn't. So, consider paying down nondeductible personal debt first and borrowing, if it makes sense, for investing instead. Keep a clean paper trail showing how borrowed funds were used because the taxman will trace the funds to their end use.

Tim Cestnick: Five ways to create financial certainty in uncertain times

Donate appreciated securities. If you're planning to give to charity, consider donating publicly traded securities with accrued gains rather than selling them and donating cash. When you donate qualifying securities the capital gain is eliminated and you'll still receive a donation tax credit based on fair market value to boot. This will save you more than donating cash. Just remember that a large donation can also create AMT.

Plan your giving vehicle. If charitable giving is part of your investment plan, don't just focus on what to donate; think about how to donate. A direct gift can be simplest, but a family foundation – either a donor-advised fund or a private foundation in some cases – can provide flexibility by separating the timing of your donation tax credits and when the charity gets the money. The right structure depends on cost, control and your objectives. Decide early enough to complete year-end gifts before the new year arrives.

Consider a holding company. In some provinces, investors with sizable nonregistered portfolios could benefit from holding investments through a corporation rather than personally. The answer depends on income earned, your province, your personal tax rate and what you plan to do with the money later. A corporation doesn't always leave you better off, but if you have a larger taxable portfolio you should at least run the numbers.

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