

Each fall at Quadrant Private Wealth, we go through a “checklist” of various planning items available to our clients. The goal of this exercise is to draw attention to potential planning opportunities while there is still sufficient time remaining in the year to implement them. Given that significant changes are coming to tax planning in 2024, and that the tax community is experiencing a planning crunch before year end, we have decided to share this publicly for 2023. The following is a list of planning points, including items specific to year end and others that should be revisited annually.

Note that this list is not intended to be exhaustive and should not be taken as such. While Quadrant provides planning suggestions for consideration, we work with a client’s professional advisors to complete any legal and accounting work required to implement a plan. We strive to work as part of a cohesive professional team with a goal of identifying and implementing strategies for the benefit of your overall wealth plan.

Special Considerations for 2023

- **Surplus Stripping / General Anti-Avoidance Rule (“GAAR”)**
 - Surplus stripping has been a hot topic in the tax planning community for the better part of a decade. There has been an annual concern that new legislation would be introduced which would render this planning ineffective and/or obsolete; however, to date this has not materialized. This appears to be changing with the introduction of updated GAAR legislation. The legislation and accompanying notes released by the Department of Finance appear to be closing the door on surplus strip transactions effective January 1, 2024. As this is a complex transaction which requires advanced analysis and planning by your professional team, it is important to consider early whether such a transaction is right for you.

- **Alternative Minimum Tax (“AMT”)**
 - While surplus stripping has been specifically targeted in the pending GAAR changes, all transactions that will generate a considerable amount of capital gains (over \$350,000) will become less effective in 2024 due to changes in how the Alternative Minimum Tax (“AMT”) is calculated.
 - Needless to say, the revised AMT may result in substantially higher taxation for capital gains income. For transactions expected to occur in 2024 on which a capital gain is expected to be generated, consider moving the transaction to 2023 if possible and reasonable to trigger early, both of which require time for your professional team to consider.

Annual Considerations

- **First Home Savings Account (“FHSA”)**
 - Introduced in budget 2023.
 - To qualify to open an FHSA, you must be a resident of Canada and at least 18 years of age. In addition, you must be a first-time home buyer, meaning neither you nor your

spouse have owned a home in which you lived at any time during the calendar year in which the account is opened, or at any time in the preceding four calendar years.

- The annual contribution limit is \$8,000.
 - FHSA contribution room does not begin accruing until an account is opened, so opening an account early will allow you to build up contribution room for a future purchase.
 - It is important to open an account while you are eligible, even if you won't use it to purchase a home. Any unused FHSA balances can be transferred into your RRSP without impacting your RRSP contribution room and contributions can still be made after purchasing a qualifying property so long as no withdrawals have been made.
 - Quadrant is now able open FHSA's for our clients. If eligible and interested in exploring this further, reach out to your Private Wealth Manager to start the discussion.
- **TFSA Contribution**
- The limit in 2023 is \$6,500 for the TFSA. End of year is also a great time to check for any unused contribution room.
- **RESP Contribution Deadline**
- December 31, 2023.
 - The government matches a portion of what is contributed and those contributions can grow tax free.
- **RRSP Contribution Deadline**
- February 29, 2024
- **RRSP Conversion Deadline**
- All RRSPs must be converted to a retirement income vehicle, such as a RRIF, before the end of the year in which you turn 71. If you turned 71 in 2023, this should be triggered before December to give your professional team time to act.
- **Tax Installments**
- Ensure all required personal and corporate tax installments are paid before year end to avoid interest charges.
- **Donations – Cash & Securities In-Kind**
- Make a difference and take advantage of tax credits by giving to charity.
 - It is important to donate now, before the changes in AMT rules next year which may increase your tax cost-to-donate.
 - Consider flow through as a way to reduce your cost-to-donate.
 - Deadlines for donations of cash and securities-in-kind will vary depending on provider, but generally fall in early December. A good rule of thumb is to make all donations before the end of November each year.

- **Donor Advised Fund (“DAF”) Distributions**
 - Distributions from your DAF should be generated as soon as possible to avoid the year end crunch.
 - The deadline to make distributions from your GiftPact DAF to other charities will be the third week of November. For 2023, the deadline is November 24.
 - Reach out to info@giftpact.com to discuss.

- **Covered Flow Through - Personal**
 - If you had a taxable event in 2023 which generated income that will be taxed at the highest personal tax rate, you may benefit from participating in a personal covered flow through transaction.
 - Two strategies:
 - Tax Reduction – Reduce your overall taxation.
 - Donation – Generate a donation credit for your DAF at a 10% after-tax cost (compared to a ~50% after-tax cost for cash donations).
 - There is a learning curve for understanding and participating in a personal covered flow through deal. If interested in learning more and potentially participating in a future deal, it is important to reach out now to start the process. Reach out to your Private Wealth Manager for more information.

- **Spousal Loans**
 - Interest owing on spousal loans must be paid prior to January 30th of the following year. Consider having this paid in advance as it is very important not to miss this deadline. Note specifically that it is January 30th and not the end of January (the 31st). One missed payment means the original plan may no longer function as intended with attribution applying from that date forward.
 - Do you have an outstanding spousal loan at the prescribed rate? If so, consider paying the interest now to get ahead of the issue.

- **Investment Management**
 - For planning purposes, QPW should be advised of any large expenditures expected over the next year that may result in a portfolio withdrawal.
 - Christmas distributions - Plan in advance if cash will be needed for the holiday season.

- **Wills and Estates**
 - Though estate planning is not exactly a favorite holiday topic, this time of year can be a good occasion to reflect on one's Will.
 - An example of an important family discussion topic related to a client's estate plan is family cottage succession.
 - Snowbirds should ensure their Estate Documents are up to date before fleeing winter for warmer climates. This is a good time to review Wills, Power of Attorneys and Personal/Health Care Directives for any changes you may wish to make. This is especially important if there are medical conditions that could become serious quickly, or if it has been more than 5 years since your estate documents were prepared.

- Ensure US bank accounts and vehicle registrations are jointly held (potential to avoid probate).

- **Life Insurance**
 - Similar to Wills & Estates, end of year is a good time for reflection in reviewing your life insurance needs. You may have been recently married or had a baby (or your children may have) and would like to ensure your dependents have coverage. There may have been changes in health. Another point for review is the beneficiaries on any policies.

- **Property Insurance**
 - While Quadrant does not provide property insurance services or advice, we have seen circumstances where clients have experienced an event but received a settlement for damages instead of replacement cost. This can lead to situations where a substantial portion of the renovation or rebuild is not covered by your current policy.
 - It is important to review your property insurance annually to ensure your coverage is appropriate (home, cottage, jewelry, art, etc.) and not simply what is cheapest.

Proactive Wealth Planning requires time for your professional team to review and discuss your requests, and to allow time to pivot if there is a better option. We encourage everyone to review the above points as they relate to your personal and unique circumstance. At Quadrant Private Wealth, we review these items annually and actively seek out improvements for our clients' overall financial plan.

If you wish to discuss any of these important topics, please contact your Private Wealth Manager.

About Us

Disciplined. Compassionate. Effective.

Quadrant Private Wealth is an independent, comprehensive, integrated wealth management firm committed to your financial well-being and peace of mind. We take the time to understand your complete financial picture. We tie all of your information together, including tax planning, to paint a picture of what your financial future could look like. And we aim to earn your complete confidence in the process.

Quadrant Private Wealth

Suite 720, One Lombard Pl

Winnipeg, MB

Ph: (204) 944-8124

email: inquiries@quadrantprivate.com

web: www.quadrantprivate.com

If you or someone you know could benefit from our services, please have them contact our offices at 204-944-8124 or email us at inquiries@quadrantprivate.com.

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