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PENSION INCOME SPLITTING … MAKING IT WORK FOR YOU

Canadian residents, as of the 2007 taxation year, have the option to split up to 50% of their "eligible pension income" with their spouse or common-law partner.

The split pension amount is deducted from the income of the person who actually received the pension and is added to the income of the spouse or common-law partner. The pension is split by filing form T1032 with the tax return of each spouse or common-law partner. You do not have to contact your pension administrator for authorization. The pension cheques are not changed at all. The original recipient of the pension income continues to receive the pension income. The pension income splitting on your tax return is simply an election for that tax year. The amount of pension income split can be different each year. Our clients receive a personalized schedule each year showing just how the pension splitting rules have been optimized for their unique situation.

SOME BENEFITS OF PENSION INCOME SPLITTING

- More easily equalize the incomes of the spouses or common-law partners so that the least overall tax is paid by the family.
- Often the deduction of pension income from the one spouse's income can reduce or eliminate the "clawback" of the Old Age Security.
- The spouse or common-law partner may become eligible for the pension credit because of the split pension income.
- The amount of medical expenses that can be claimed may increase because of the pension income splitting.

SOME IMPORTANT REMINDERS

- Both spouses or common-law partners must file the T1032 election each year that you wish to split the pension income.
- It is <u>not</u> necessarily true that splitting the maximum 50% of the pension income is the optimum amount of pension income to split. We have a program that can quickly determine the optimum amount of pension income to split.
- "Eligible pension income" includes pension income from a superannuation or registered pension plan, payments from a Registered Retirement Income Fund (RRIF), and annuity payments from a Registered Retirements Savings Plan (RRSP) or from a deferred profit sharing plan (DPSP).
- "Eligible pension income" does <u>not</u> include payments from the Canada Pension Plan or Old Age Security, death benefits, retiring allowance, lump-sum RRSP withdrawals, payments from retirement compensation arrangements, employee benefit plans, or employee trusts.