

Life Letter *mature*

Budget 2007 benefits for you

Finance Minister Jim Flaherty tabled a budget on Monday March 19, 2007 that has proposed a number of very attractive benefits for mature Canadians. They include:

RRSP Age Limit Increased - The age limit for converting an RRSP to an income has been increased to age 71 from age 69. For those who turn age 70 or 71 in 2007, their minimum RRIF withdrawal amount can be waived. Anyone age 70 or 71 who has any unused RRSP contribution room can now make deposits to their RRSP and enjoy the tax deduction. This can be viewed as an incentive for older Canadians to work a little longer or save more for their retirement.

Phased Retirement Plan - This plan works for those who want to ease into retirement. It allows an employee to work part-time and receive a partial pension (up to 60%) through their employer. They can also continue to accrue further pension benefits.

Split Pension Income - First announced last October, this is one of the best pieces of news to come out of the budget. This allows any Canadian resident who qualifies for the existing pension income tax credit to allocate up to one-half of their pension income to their spouse or common-law partner. It is estimated this will provide up to \$675 million in tax relief in the governments 2007-2008 fiscal year alone.

For those under age 65, eligible income includes:

- lifetime annuity payments from a registered pension plan (RPP); and,
- certain death benefits.

For those age 65 and older, eligible income includes:

- lifetime annuity payments from an RPP;
- lifetime annuity payments from registered retirement savings plans (RRSP) and deferred profit sharing plans (DPSP); and,
- income received from any form of registered retirement income fund (RRIF).

While those couples with the greatest difference in incomes and marginal tax rates will benefit the most, even a small difference can mean hundreds of saved tax dollars.

Increased age credit amount - For those age 65 and older receiving eligible pension income, the age credit amount has been increased by \$1,000. This simply means they will have to pay taxes on \$1,000 less income.

Increased Lifetime Capital Gains Exemption - This increases the lifetime capital gains exemption from \$500,000 to \$750,000 for capital gains realized on the sale of shares of a qualifying small business and qualifying fishing or farm property.

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