



FINANCIAL WISDOM

- WEALTH BUILDER -

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Build Your Wealth Together

The wedding and honeymoon are over and you're settling in to your new life, accomplishing many goals together over the past year with compromises being made over wedding plans, honeymoon destination, and a million and one other details. As you settle in for a long and fruitful life together, it's an ideal time to discuss your financial goals and map out an effective tax strategy that supports it.

Create an Investment Strategy for Your Tax Savings

The subject of tax planning for couples seldom makes the list of top priorities when beginning a new life together. That's too bad as it is one of the top wealth building strategies that couples can undertake.

According to the Fraser Institute, the Canadian Consumer Tax Index has risen significantly over the past five decades. The average Canadian family pays up to 42.4% of their income to the taxman. That is up from 33.5% in 1961. In comparison, the average Canadian family spends 37.6% on the basic necessities of life food, clothing, and shelter.

With this much of the family income going to taxes, it is wise to speak with a knowledgeable tax advisor to reduce this amount wherever possible. For example, the average Canadian family has an annual household income of approximately \$70,000. With all forms of taxation included and using the 45% rate, the average Canadian household pays \$31,500 in taxes per year.

Case in point, let's say that after you visit a qualified tax advisor, you learn how to **reduce your income tax payable each year by \$5,000** using various available tax shelters. (That's almost enough to fund your TFSA).

If you invest that \$5,000 every year at an annual rate of return of 8%, it will **grow to over \$566,000 over 30 years** not accounting for inflation. If you repeat the tax strategies year after year, you can accumulate a significant retirement nest egg or save for a child's education.

While these figures are just an example, you can certainly see the wealth building power of having a tax planning strategy.

Effective Tax Strategies for Newlyweds

- It's never too early to contribute to your retirement plan. Investments into RRSPs will reduce your income taxes while building wealth. Any income earned within the RRSP grows tax-free until withdrawn.
- Are you looking to buy your first home together? Consult with a tax advisor to devise a plan for accumulating your down payment in an RRSP or TFSA account.
- Are you planning on starting a family? Find out how to painlessly save for your children's education through RESPs (Registered Education Savings Plan), obtain government grant money and reduce your taxes simultaneously.
- If you haven't already, it's time to think about life insurance. Thinking about death can be difficult when you are just starting out in life; however, it can provide peace of mind to both of you should anything catastrophic occur. An insurance and tax planner can walk you through your options and advise you on some tax beneficial policies.

Questions about tax saving strategies? Contact our office!

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