

# Tips and Tidbits

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## Why Contribute To An RRSP?

**T**here are three very good reasons for contributing to a registered retirement savings plan (RRSP).

- (1) Your contribution is tax deductible, so the higher your marginal tax rate, the greater your tax savings.
- (2) The income generated by the plan is only taxable when you withdraw it (usually when you are retired and possibly in a lower tax bracket). Therefore, you can build up significant earnings inside of the plan.
- (3) All or a significant portion of your annual eligible contributions can be contributed to a plan set up for your spouse or common-law partner, who may have a lower tax bracket than you, in later years, when you start to withdraw the funds

*Plan wisely to pay the least amount of income tax, legally possible.*

## Make Donations \* Not Gifts

**T**he charitable donations tax credit is only available for donations made to registered charities, registered Canadian amateur athletic associations, Canadian municipalities, and the Canadian Federal and Provincial governments. To obtain the charitable donations tax credit, you must include the original official receipt issued by the registered charity or association, with your tax return. Photocopies of receipts or the filing of canceled cheques, are not acceptable. These official receipts will include the registration number of the charitable institution. There are many organizations soliciting funds from the public, some of them purportedly to send children to certain events, or supposedly, on behalf of local police or fire organizations. Ensure that your contributions are going to a **true** charitable association and that your receipt has a charitable registration number printed on it.

*Don't be paranoid : just be cautious!*

### Disclaimer

The information provided is of a general nature and is not intended to construe an opinion. As each taxpayer's situation is unique, no one should act upon any of the above without first obtaining professional advice, from a Chartered Accountant, concerning the particular facts of their situation.

**Douglas A. Boufford is a Chartered Accountant and Certified Fraud Examiner, offering professional services in audit, accounting, personal & corporate income tax, investigative & forensic accounting, fraud investigation, litigation support, and dispute resolution.**

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