



UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

March 2021 Newsletter from Kurt and team

From the Desk of Kurt Rosentreter, CPA, CA, CFP, CLU, FSCI, CIMA, CIM, FMA, TEP
Senior Financial Advisor & Portfolio Manager
Kurt.Rosentreter@manulifesecurities.ca

One of the largest and most effective tax deductions you can claim on your personal tax return is the deduction of interest expense paid to earn income. If you borrow money to buy a rental property, build a taxable stock portfolio with us or to supplement a private business, in many cases the cost of the interest on the mortgage or loan is fully tax deductible.

Talk to us or your accountant about how the rules can apply to you.
Click on this link to the CRA website section about the rules on [interest deductibility](#).

From the desk of Jordan Campbell, CFA
Associate Portfolio Manager, Manulife Securities Incorporated
Jordan.Campbell@manulifesecurities.ca

Calculating capital gains for US stocks

One of the most frequent questions we get from clients who do their own taxes is how to calculate capital gains for US stocks that are sold in non-registered accounts.

For Canadian dollar stocks, the calculation is more straightforward: your capital gain is the amount you sold the stock for minus the price you bought it for (more specifically, the adjusted cost basis - ACB).

For example, if you bought 1 share of RBC at \$75 and sold it for \$100, your capital gain would be \$25 (\$100 - \$75).

However, with US stocks it gets a bit more complicated.

Let's say you bought 1 share of Johnson & Johnson for \$120 USD and sold it for \$160 USD on December 1, 2020 when the exchange rate was 1.2952 (0.7721). Many people would calculate the gain as \$40 USD (\$160 USD - \$120 USD) and then multiple it by the exchange rate on the day it was sold it to get you \$51.81 CAD capital gain (\$40 USD * 1.2952)

Manulife Securities Incorporated
Suite 302, 3 Church Street, Toronto, ON M5E 1M2
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

 **Manulife** Securities



UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

However, this is incorrect as you must figure out what the exchange rate was when you bought the stock and the exchange rate when you sold the stock.

You can use the [Bank of Canada's Exchange Rate database](#) if you need help finding the rates.

To finish the example above, if you bought the stock on March 1, 2017 when the exchange rate was 1.3338 (0.7497), the actual cost of the stock for tax purposes was \$160.06 CAD (\$120 USD * 1.3338).

The value of the stock when you sold on December 1, 2020 when the rate was 1.2952 (0.7721), would be \$207.23 CAD (\$160 USD * 1.2952).

Therefore, the capital gain for Canadian tax purposes would be \$47.17 CAD (\$207.23 - \$160.06).

From the desk of Mathew Cain, CIM

Financial Advisor Associate, Manulife Securities Incorporated.

Mathew.Cain@manulifesecurities.ca

Taxation of cryptocurrencies

You've likely been hearing a lot about Bitcoin and cryptocurrency in general in the news lately.

Perhaps you have even purchased some on your own and may be wondering how cryptocurrencies are taxed?

Cryptocurrency in Canada is taxed either as capital gain or as income, depending on whether your activity with cryptocurrency is considered to be a business or not*. If you are unsure whether you are operating on a personal or a business level, consult with a tax professional.

For more information related to the taxation of digital/cryptocurrency please refer to this CRA guide below.

<https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/digital-currency/cryptocurrency-guide.html>

* Source: Canada Revenue Agency.

Manulife Securities Incorporated

Suite 302, 3 Church Street, Toronto, ON M5E 1M2

T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878

Visit our website: UpperCanadaCapital.com

 **Manulife** Securities

Upper Canada Capital is our trade name (i.e. business name) under which we offer all our services. Upper Canada Capital is a trade name used for both securities business and insurance business. Stocks, bonds, and mutual funds are offered through Manulife Securities Incorporated. Financial plans are offered through Manulife Securities Incorporated. Insurance products & services are offered through Upper Canada Capital Inc. and Manulife Securities Insurance Inc.



UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

From the desk of Gerdi Lito, CFA

Financial Advisor Associate, Manulife Securities Incorporated

Gerdi.Lito@manulifesecurities.ca

RESP withdrawals and taxation

RESP accounts continue to be the most popular choice when it comes to saving for children's educations. Families like the fact that the government partially matches their contributions and they try to maximize the grants before the child turns 18.

The RESP accounts has three components:

- contributions made from the RESP account holders (parents or grandparents).
- grants received from the government.
- accumulated income from interest, dividends and capital gains.

When you take money out of the RESP to pay for your child's school expenses, it can be one of the payment types below (or a combination of the two):

- **Educational Assistance Payment (EAP)** which is made entirely of grants and accumulated income. This withdrawal is considered as income and is taxed into the child's hands.
- **Post Secondary Education payment (PSE)** which is made entirely of the contributions made from the account holders and is not taxable.

Deciding which type of payment you should request to withdraw depends whether the child has other income that year. If your child is working during school and making significant income, you might need to minimize the EAP withdrawals to avoid increasing your child's tax bill.

Sometimes this might be challenging as you do not know what the child's income will be in the years to come. Things might get more complicated for a family RESP when two or more siblings share the same RESP account and you need to plan for each child separately. A good tip is to make larger EAP withdrawals in the initial years of study for each child, always taking into consideration if they have other income from part-time work.

Manulife Securities Incorporated

Suite 302, 3 Church Street, Toronto, ON M5E 1M2

T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878

Visit our website: UpperCanadaCapital.com





UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

From the desk of Monika Kucinskaite, M.Comm

Financial Advisor Associate, Manulife Securities Incorporated

M.Kucinskaite@manulifesecurities.ca

Over-contributed to your RRSP?

You must have RRSP contribution room for a new RRSP deposit and this figure can be found on a Notice of Assessment issued by CRA after you file your taxes.

Over-contributing can happen if your employer arranges for your contributions through payroll deductions to your group RRSP or if you participate in a registered pension plan and at the same time you transfer funds to your self-directed RRSP.

The penalty for overcontributing to RRSPs, above a \$2,000 cumulative over-contribution limit, is 1% per month on the excess overcontributed amount.

If you or your accountant caught this over-contribution early you have three choices:

- You can leave the money in the plan and reduce regular contributions going forward. If you do this, you will need to pay the penalty fee for those months that you are over the limit.
- Withdraw funds from the RRSP and pay a penalty fee for those months that you are over the limit.
- Reverse past contributions like they never happened by completing [T3012 form](#) and submitting it to CRA.

From the desk of Jeton Spahiu, CIM

Client Services Assistant, Manulife Securities Incorporated

Jeton.Spahiu@manulifesecurities.ca

Personal Tax Returns – Filing, Payment Deadlines & Penalties

We want to kindly remind you that Federal and Quebec personal income tax returns must be filed on or before April 30, 2021. If you are self-employed with professional income or income from an unincorporated business, then you have until June 15, 2021 to file your returns.

Manulife Securities Incorporated

Suite 302, 3 Church Street, Toronto, ON M5E 1M2

T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878

Visit our website: UpperCanadaCapital.com



Manulife Securities



UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

To avoid late-filing penalties and interest, any final tax balance that you owe, regardless of the filing deadline, must be paid by April 30, 2021.

If you file the final return late and there is a balance owing, the CRA will charge a late filing penalty. The CRA will also charge you interest on both the balance owing and any penalty. The penalty is 5% of any balance owing, plus 1% of the balance owing for each full month that the return is late, to a maximum of 12 months.

From the desk of Frank Valicek, CFP, CIM

Financial Advisor, Manulife Securities Incorporated
Life Insurance Advisor, Manulife Securities Insurance Inc.

Frank.Valicek@manulifesecurities.ca

High-interest savings

Are you looking to park some money into liquid investment savings while earning a competitive interest rate?

Manulife Bank is currently running a promotion until July 31st, 2021 whereby you receive an extra 0.30% on **new deposits** to Manulife Bank Investment Savings which doubles the current rate from 0.30% to **0.60%**. All clients with Manulife Securities are eligible for this, so keep this in mind should you have any excess savings that you would like us to help you with.

From the desk of Laura Collins

Executive assistant to Kurt Rosentreter, Manulife Securities Incorporated

Laura.Collins@manulifesecurities.ca

History of the Canada Revenue Agency

Prior to Confederation, the collection of taxes and customs duties was the responsibility of the Department of Customs in each of the British North American colonies.

In 1867, Parliament enacted legislation which established two separate departments, Inland Revenue, and Customs. Until end of World War I, the majority of federal revenue came from customs and excise

Manulife Securities Incorporated

Suite 302, 3 Church Street, Toronto, ON M5E 1M2

T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878

Visit our website: UpperCanadaCapital.com



Manulife Securities



UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

duties, but as the war effort placed increasing pressure on government finances, the Borden government introduced a personal income tax in 1917.

While intended to be a temporary measure at first, the federal government has since continued to levy personal income taxes, which are now the largest source of revenue for the federal government. Both Inland Revenue and Customs were eventually merged into a single department, Customs and Excise, between 1918 and 1927.

In 1999, the Chrétien government introduced legislation that would transform Revenue Canada from a department to a new agency, the Canada Customs and Revenue Agency (CCRA). This change was implemented to reduce duplication in tax administration, streamline services to Canadians, and provide the tax administration with more flexibility in corporate planning, and in forming relationships with provincial, territorial, and Indigenous governments.

This arrangement only lasted until December 2003, when the Canada Border Services Agency was spun off from the CCRA due to issues relating to interdepartmental collaboration between the CCRA, Citizenship and Immigration Canada and the Canadian Food Inspection Agency on border protection and immigration enforcement.

Following the CBSA's spin-off, the CCRA was rebranded as the Canada Revenue Agency, with its strategic direction pivoting towards enforcing compliance with Canada's tax laws and delivering benefits to Canadians.

Source and References: Canada Revenue Agency | encyclopedia article by TheFreeDictionary. Under References.

Warm regards,

Kurt Rosentreter, CPA, CA, CFP, CLU, FCSI, CIMA, CIM, FMA, TEP

Senior Financial Advisor & Portfolio Manager, Manulife Securities Incorporated
President, Upper Canada Capital Inc.

Life Insurance Advisor, Manulife Securities Insurance Inc.

<http://www.kurtismycfo.com>

Follow me on social media:



Manulife Securities Incorporated

Suite 302, 3 Church Street, Toronto, ON M5E 1M2

T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878

Visit our website: UpperCanadaCapital.com





UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

Kurt Rosentreter, CPA, CA, CFP, CLU, TEP, FMA CIMA, FCSI is a national best-selling author seven books on personal finance in Canada and the past co-founder of the national wealth management practice at one of Canada's "Big Four" public accounting firms. For the last fifteen years Kurt has been a core financial course instructor for the Ontario Chartered Public Accountant Association and also appears regularly in the national press as an expert on matters of money. Kurt is the owner of a national wealth management practice in Toronto working with professionals and business owners on all topics of personal finance. Learn more about Kurt at www.kurtismycfo.com.

To ensure that trading instructions are received and executed accurately and in a timely manner, please do not send any trading instructions via e-mail. Please contact us directly at 416-628-5761, Ext 0.

This message is only to be read by the addressee and is not for public distribution. The sender is not responsible for distribution of this message beyond the addressee intended. All information in this message is confidential to the addressee and should be treated as such.

If you prefer not to receive future emails, CLICK [HERE](#) to unsubscribe.

Kurt Rosentreter and Manulife Securities Incorporated or Manulife Securities Insurance Inc. ("Manulife Securities") do not make any representation that the information in any linked site is accurate and will not accept any responsibility or liability for any inaccuracies in the information not maintained by them, such as linked sites.

Any opinion or advice expressed in a linked site should not be construed as the opinion or advice of Kurt Rosentreter or Manulife Securities. The information in this communication is subject to change without notice.

The opinions expressed are those of the author and may not necessarily reflect those of Manulife Securities Incorporated or Manulife Securities Insurance Inc.

Stocks, bonds, and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are sold through Manulife Securities Insurance Inc. Please confirm with your advisor which company you are dealing with for each of your products and services. This message is only to be read by the addressee and is not for public distribution. The sender is not responsible for distribution of this message beyond the addressee intended. All information in this message is confidential to the addressee and should be treated as such.

Manulife Securities Incorporated
Suite 302, 3 Church Street, Toronto, ON M5E 1M2
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

 **Manulife Securities**

Upper Canada Capital is our trade name (i.e. business name) under which we offer all our services. Upper Canada Capital is a trade name used for both securities business and insurance business. Stocks, bonds, and mutual funds are offered through Manulife Securities Incorporated. Financial plans are offered through Manulife Securities Incorporated. Insurance products & services are offered through Upper Canada Capital Inc. and Manulife Securities Insurance Inc.