BMO Financial Group

News

**FOR IMMEDIATE RELEASE**

# BMO Nesbitt Burns Offers Ideas on How to Minimize Taxes on Capital Gains

- *More than three-quarters of Canadians don't take tax implications into consideration with every investment decision*
- *Strategies to reduce capital gains taxes include: catching up on unused RRSP room; deferring the gains to next year; using capital losses to offset gains; and donating appreciated securities to a charity*

**TORONTO, March 26, 2012 –** With the deadline to file income tax returns next month, Canadians are seeking ways to lower their overall tax bill. With the focus on tax this time of the year, today BMO Nesbitt Burns offered ideas on how to minimize the amount of tax paid on capital gains.

A capital gain is a profit that results when the price of a security (such as a stock) rises above its purchase price and the security is sold. For example, if you bought 100 shares of a company at $90 each for a total cost of $9,000, and then sold them for $100 each, your profit of $1,000 would be considered a capital gain. The current inclusion rate at which capital gains are subject to tax is 50 per cent, such that $500 would be included in your taxable income on this sale.

Despite the tax impact depending on the type of investment income earned, a BMO Nesbitt Burns survey has revealed that more than three-quarters of Canadians do not take tax implications into consideration each time when making investment decisions.

"As an investor, you always want to ensure your investments work well within your portfolio and are able to help you meet your financial goals," said John Waters, Vice-President and Head of Technical Expertise, BMO Nesbitt Burns. "Equally important, however, is to think about how your investments are going to affect you come tax time. With proper planning a larger portion of your investment returns may be available after taxes."

***BMO Nesbitt Burns' John Waters offers the following ideas on how to minimize taxes on capital gains:***

**Create Tax Deductions** – For some investors, the possibility of claiming other tax deductions to offset increased income may lessen the tax liability created by the realization of capital gains in a non-registered portfolio. For example, the extra cash flow from the sale of an investment could be directed towards a larger Registered Retirement Savings Plan (RRSP) contribution, especially if you have significant unused contribution room carried over from prior years.

**Consider a Tax-Deferred Roll-Over** – Many corporate takeovers allow disposing shareholders to exchange all or a portion of their shares for shares of the acquiring corporation. This option generally provides Canadian shareholders with the opportunity to defer tax on accrued gains on the old shares by filing the necessary tax election forms prior to the prescribed deadlines.

**Defer a Portion of the Gains to Next Tax Year** – If proceeds of disposition from a sale triggering a capital gain are not all receivable in the year of the sale, it may be possible to defer a reasonable portion of the gain from taxation until the year when the proceeds become receivable.

**Offset Capital Gains with Capital Losses** – If an investor realizes capital losses in the same taxation year that a significant capital gain is triggered, the tax liability on the capital gain can be reduced. Therefore, it is important to review your portfolio to consider the sale of certain investments with accrued losses to offset capital gains realized earlier in the year, provided a sale makes sense from an investment perspective.

**Give the Gift of Securities to a Charity** – There are significant additional tax savings available to investors with charitable intentions who donate qualifying publicly-traded securities. Federal rules eliminate the taxation of capital gains realized on the disposition created by the transfer of these securities to a charity. When combined with the benefit of receiving a charitable donation tax credit that can reduce taxes payable on other income, the added benefit of eliminating any associated capital gains tax on the transfer creates a strong incentive to donate appreciated securities, instead of donating the after-tax cash proceeds following an external sale of the security.

For more information on BMO Nesbitt Burns and investing, please visit: www.bmo.com/nesbittburns

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**Media Contacts:**
Amanda Robinson, Toronto, amanda.robinson@bmo.com, 416-867-3996
Sarah Bensadoun, Montreal, sarah.bensadoun@bmo.com, 514-877-8224
Laurie Grant, Vancouver, laurie.grant@bmo.com, 604-665-7596