



Wealth
Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES



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2025 year-end tax planning for individuals

Opportunities to reduce your 2025 tax bill

As year-end approaches, taking some time to review your financial affairs may yield significant tax savings. To help ensure you leave no stone unturned, here's a summary of some common year-end tax planning strategies.

Any reference to a spouse in this article also includes a common-law partner.

Tax loss selling

If you've realized capital gains during the year, and you're holding securities with unrealized losses, consider selling those securities to realize the losses. This strategy of selling securities at a loss to offset capital gains realized during the year is a year-end tax planning technique commonly known as "tax loss selling." Review your portfolio to determine if any investments are in a loss position and no longer meet your investment objectives. Consider all costs, including transaction costs, before selling investments solely for the purpose of triggering the tax loss.

When disposing of a security, the sale will be deemed to have taken place on the settlement date for Canadian tax purposes. Assuming a one-day settlement period, transactions must be initiated by December 30, 2025,

for both Canadian and U.S. securities in order to settle during 2025. Check with your RBC advisor for mutual fund settlement dates.

Superficial loss rules

If the investment still has strong fundamentals and meets your investment needs, you may be thinking of selling the investment to trigger the loss, then repurchasing the security. However, to ensure your capital loss can be claimed, you should be aware of the superficial loss rules. These rules may prevent you from claiming the capital loss.

A superficial loss may occur when a security is sold at a loss and both of the following occur:

- During the period that begins 30 days before and ends 30 days after the settlement date of the disposition, you or a person

affiliated with you (i.e. your spouse, a company controlled by you and/or your spouse, or a trust in which you and/or your spouse are a majority interest beneficiary) acquires property that is identical to the property that was sold at a loss; and

- At the end of that period (i.e. on the 30th day after the settlement date of the disposition), you or a person affiliated with you owns or has a right to acquire the identical property.

You need to consider your holdings across all accounts when determining whether the superficial loss rules apply. For example, if you purchase mutual funds on a pre-authorized contribution plan, be sure to check all of your accounts to make sure you're not buying the same mutual fund you're selling (in a different account, perhaps) for tax loss purposes within the 61 days that may trigger a superficial loss.

Carrying forward and carrying back capital losses

A capital loss must first be applied against any capital gains (including capital gain distributions from mutual funds) realized in the current year. Any unused net capital losses (i.e. capital losses that weren't able to be offset by current-year capital gains) can be carried back to be claimed against taxable capital gains realized in the three previous years (2022, 2023, 2024) or carried forward indefinitely to be claimed against taxable capital gains realized in a future year. This is the last year in which you can carry back your losses to 2022 to offset them against your 2022 capital gains.

When you carry back an unused net capital loss to offset a previous year's taxable capital gain, it will reduce your taxable income for that previous year. This reduction may result in a refund of previously paid taxes. However, your net income, which is used to calculate certain credits and benefits, such as old age security (OAS), won't change.

Capital gains deferral

As you approach the end of 2025, you may want to consider deferring the realization of your accrued capital gains until 2026 if you expect to be in a lower marginal tax bracket next year.

In addition, realizing capital gains at the end of this year means that any tax payable associated with the gains would have to be remitted to the Canada Revenue Agency (CRA) by April 30, 2026. Realizing capital gains in 2026 means you can defer paying taxes on those gains (unless you're required to make tax instalments) until April 30, 2027.

As always, the investment merits of deferring the sale of a security to the following year must be considered first, before looking at the potential tax benefit.

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Year-end bonus planning

Receiving a bonus prior to year-end creates additional registered retirement savings plan (RRSP) contribution room for 2026, if you've not yet reached the maximum 2026 RRSP limit. Furthermore, receiving a bonus prior to year-end may also allow greater employee/employer pension contributions and/or employee profit-sharing plan contributions for 2026 if these contributions are based on the prior year's total compensation.

On the other hand, if you expect to be in a lower marginal tax bracket next year, consider deferring the receipt of your bonus (if your employer permits) to early 2026.

If the bonus is paid directly to you, there will be withholding taxes at source on the bonus payment. However, if your employer permits, some or all of the withholding taxes on the bonus may not have to be withheld if the bonus or a portion of the bonus is transferred directly to your RRSP. You must have adequate unused RRSP contribution room in the year of transfer.

Registered withdrawal timing

If you're nearing retirement and expect to be in a lower marginal tax bracket for 2025 versus 2026 or beyond, consider making an early withdrawal from your RRSP or registered retirement income fund (RRIF) before year-end. The advantage of doing so is that you could pay less tax overall on the amount withdrawn. Keep in mind that a drawback of this strategy is a prepayment of income tax and lost tax deferral on the growth of the RRSP/RRIF funds withdrawn.

If you have tax-free savings account (TFSA) contribution room, consider investing the RRSP/RRIF funds withdrawn in your TFSA so you don't pay any future tax on the income earned or capital gains realized in the TFSA. If you don't have TFSA room, you can invest the RRSP/RRIF funds withdrawn in your non-registered account. Consider the type of income you want to earn in your non-registered account — you may want to take advantage of the preferred income tax treatment on capital gains, Canadian dividends and return of capital.

TFSA contributions

If you've not yet done so, you can make a TFSA contribution for 2025 of up to \$7,000 and catch up on any unused contribution room from previous years. The TFSA enables you to earn tax-free investment income, including interest, dividends and capital gains, which may result in greater growth compared to a regular taxable account. You can make tax-free withdrawals at any time, for any reason, and any amount you withdraw is added back to your available contribution room on January 1 of the following year. If you're thinking of making a withdrawal from your TFSA in the near-term, consider doing so before December 31. This will allow you to recontribute the amount withdrawn as early as January 1, 2026, rather than having to wait until 2027 to recontribute.

RRSP contributions

You have until March 2, 2026, to make a contribution to your RRSP or a spousal RRSP and claim a deduction for your contribution on your 2025 tax return. However, if you have contribution room, contributing to your RRSP early may help you benefit from tax-deferred growth, which may increase your savings for retirement.

RRSP contributions if you're turning 71

If you turn age 71 in 2025 and are still working, you'll have earned income which will generate additional RRSP contribution room for 2026. However, you can no longer contribute to your individual RRSP in 2026 since your RRSP must mature by the end of the year in which you turn 71 (December 31, 2025). If you're in this situation, consider over-contributing to your RRSP by December 31, 2025. You'll have to pay a penalty tax (1% of the excess amount) but you'll potentially benefit from a large RRSP deduction and tax-deferral. On January 1, 2026, your new contribution room, based on your 2025 earned income, will absorb the over-contribution.

For example, if your RRSP contribution limit for 2026 is \$25,000, you may want to contribute this amount to your RRSP in December 2025. You'll have the over-contribution tax of approximately \$230 (1% of (\$25,000 - \$2,000)), taking into account your allowable lifetime over-contribution limit of \$2,000. Speak to your qualified tax advisor if you're considering this strategy to determine if the 2026 tax deduction for your RRSP contribution, combined with the benefit of tax-deferral and compounding growth in the RRIF, outweighs the penalty tax.

Alternatively, if you have a younger spouse, consider making the contribution to a spousal RRSP in 2026. This way, you could use your RRSP contribution room without being subject to a penalty tax. In addition, if you continue to earn RRSP contribution room each year, you can

As an alternative to cash, you can also donate publicly listed securities in-kind to qualified charities. Donating securities in-kind may cost you less than donating cash.

continue to make spousal RRSP contributions until the end of the year in which your spouse turns age 71.

Charitable donations

Making a charitable donation is one of the ways you can significantly reduce the personal income tax you pay. The final day to make a donation to a registered charity to claim the donation tax receipt on your 2025 income tax return is December 31, 2025.

As an alternative to cash, you can also donate publicly listed securities in-kind to qualified charities. Donating securities in-kind may cost you less than donating cash. This is because when you donate securities in-kind, you benefit not only from an elimination of the capital gain accrued on the securities, but also from a donation tax credit based on the value of the securities, which can help reduce your total taxes payable. If the securities you donate happen to be in a loss position, you can still benefit by claiming the capital loss as well as the donation tax credit.

Before donating in-kind, it's important to contact the registered charity to verify whether they accept in-kind donations. Also, if you plan on donating securities in-kind, the transfer must take place before year-end, so ensure you start this process well in advance to allow for processing and settlement time.

Although there's no limit to the amount you can donate in a year, for tax purposes, you can generally only claim a charitable donation of up to 75% of your net income in a taxation year. For residents of Quebec, this limit is 100% of your net income for provincial tax purposes. If you're unable to claim the full donation in one year due to this limitation, you can carry forward your unclaimed donations for up to five years.

Tax-advantaged investment choices

The government provides tax incentives to encourage investment in certain areas of the economy. For example, flow-through investments may provide you with tax deductions or tax credits that may reduce your tax liability for the year. While evaluating investments based on the tax merits is important, you should also consider other factors such as the investment risk, diversification, opportunity for capital appreciation, liquidity and so on. It's important to recognize that flow-through investments

are considered higher-risk investments and typically must be held for a set period of time. Also, certain investments, such as limited partnerships, require more complex tax reporting. You should factor in any restrictions and increased filing complexities when evaluating whether an investment is right for you.

Year-end expenses

Generally, you can deduct or claim a credit for certain expenses you paid in the year on your personal income tax return. Therefore, remember to pay all eligible investment management fees, tuition fees, deductible accounting and legal fees, childcare expenses, alimony, medical expenses and any business expenses (if deductible on your personal tax return) by December 31, if it's your intention to deduct or claim them on your 2025 tax return.

RESP contributions

A registered education savings plan (RESP) is a way to save for a child's or grandchild's post-secondary education and can also be used as an income splitting vehicle. The lifetime contribution limit is \$50,000 per beneficiary. By making RESP contributions, you may be eligible to receive a government grant, which help your savings grow faster.

While your contributions to an RESP are not tax-deductible, there are no taxes paid on the income and capital gains earned in the plan until the funds are withdrawn. When your child or grandchild attends a qualified post-secondary education program, and withdrawals are made from the plan, the income earned in the plan may be taxed in your child's or grandchild's hands, presumably at a lower tax rate than your own.

Consider contributing to an RESP by December 31, 2025, if you haven't already done so, or haven't maximized your contributions, in order to take advantage of the government grant as well as the tax-deferred growth within the RESP.

Timing of mutual fund purchases

When you purchase a mutual fund partway through the year, you purchase the fund at its net asset value, which includes any accumulated income and gains that haven't yet been distributed. When the fund makes a distribution, the distribution includes these accumulated earnings and the distribution is fully taxable, even though you purchased the accumulated earnings with your after-tax dollars.

To avoid the distribution, you could simply purchase the fund after the distribution date. This way, you purchase the fund without any accumulated income and gains. If you've already purchased the fund, consider selling the fund prior to the distribution date. Before selling, you

If you're required to make quarterly tax instalment payments to the CRA, you should make your final payment on or before December 15, 2025, to avoid late interest charges.

should first consider the size of the potential distribution, any associated fees or commissions and the resulting tax liability. It's important for you to determine how much you'll save by avoiding the receipt of this distribution in comparison to the costs that a sale could trigger.

Moving within Canada

Tax rates may vary significantly by province or territory. For example, combined with the federal rate, the top marginal tax rate in Nunavut is 44.5% and the top combined rate in Newfoundland and Labrador is 54.8%. Since you're generally subject to tax based on your province or territory of residence on December 31, if you're moving to a province or territory with a lower tax rate, consider moving prior to December 31, 2025. If you're moving to a province or territory with a higher tax rate, consider delaying your move until early 2026.

Tax instalments

If you're required to make quarterly tax instalment payments to the CRA, you should make your final payment on or before December 15, 2025, to avoid late interest charges. If you missed an earlier instalment payment deadline, you may want to consider making a larger final instalment payment or making your final instalment payment earlier than the December 15, 2025 deadline to minimize late interest charges.

You may have the opportunity to reduce your tax instalment liability by switching the method you use to calculate your instalments. There are three different methods for calculating instalments: the no-calculation option, the prior-year option, and the current-year option. The instalment reminders sent to you by the CRA are based on the no-calculation option. Before switching the method used to calculate your instalments, keep in mind that if you pay the amounts on the instalment reminders sent by the CRA, they won't charge you instalment interest or a penalty, even if the total of the payments you make is less than your actual tax liability.

Re-filing your tax waiver

If you normally file a tax waiver (CRA Form T1213 – Request to Reduce Tax Deductions at Source) to have your employer reduce taxes withheld at source from your pay, don't forget to re-file this form, as it may need to be submitted and approved by the CRA annually. If you

haven't filed this form in the past, consider doing so if you normally receive a tax refund when you file your tax return. This will allow you to have more cash flow during the year to accomplish various financial goals such as making monthly RRSP contributions, making additional mortgage payments, or reducing or eliminating other personal loans or credit card debt.

The CRA will normally approve the tax waiver for individuals who expect the following types of deductions: RRSP contributions, alimony payments, carrying charges, childcare expenses and employment expenses, among others. Approval of the tax waiver by the CRA usually takes about six weeks; therefore, for the 2026 tax year, you may want to consider applying in November 2025.

Plan ahead

This article covers some common individual tax planning strategies you may want to consider before year-end. Speak with your qualified tax advisor to determine if any of these strategies are suitable for you in your circumstances.

This article may contain strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.



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