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Complex tax math can help couples save thousands

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Income splitting helped Adelle and Morris Greener receive a bigger tax refund.

In anticipation of an extra \$3,300 on their tax refund cheque, Morris and Adelle Greener indulged in a few luxuries.

"I went out and bought myself a performance hybrid," says Mr. Greener, 60, who retired three years ago to build their dream home in the countryside north of Toronto, after working at the Toronto Star for 32 years in circulation and home delivery.

"[My wife] is an artist. She does watercolour, so when we built our home we made a studio for her so that she's got lots of light, high ceilings, wall space and windows," says Mr. Greener.

Their newest indulgence is courtesy of pension-income splitting. As a retired couple living on Mr. Greener's pension, they are a textbook example of how Canadians are benefitting from the new pension-incomesplitting rules.

Accountant Jonathan Ruben, who prepared the couple's taxes, says clients such as the Greeners can be saving thousands of dollars when they agree to split their pension income. "It's wonderful to see that clients are recognizing the benefits and optimizing their tax savings."

Optimizing savings is like balancing a scale — one has to weigh the numbers to find the best savings formula. "The form itself is simple, but the results and implications are not necessarily intuitive," Mr. Ruben says.

"It's not like there's a lot of extra money kicking around," Mr. Greener says. "I've gone from a decent income to a very modest retirement income. ... This year I would have ended up paying the taxman all of that \$3,300."

The Greeners are not the only ones benefitting from the new rules introduced for the 2007 returns.

After more than four decades working for mining company Cominco, Vulcan, Alta., resident Bill Smith, 67, retired two years ago. In all those years, he had always done his own taxes. The new pension-income splitting legislation finally made him seek professional help.

"I don't know how to do it. There's lots of jiggling figures around," Mr. Smith says. "I just don't have the patience or the time."

Mr. Smith and his wife of 46 years ended up saving about \$3,000 more than they did last year. He figures there was a difference of about \$2,500 between the tax form he filled in and his accountant's. The accountant's fees were a little more than \$200.

Mr. Smith's accountant, Neel Roberts, says he has a number of clients who have been doing their own taxes but have found the new pension-splitting formulas confusing.

Other tax firms are also seeing more clients coming to them as a result of pension splitting. In retirement community Penticton, B.C., accounting firm Harvey, Lister and Webb has done more than 1,000 tax preparations using pension splitting. "Some have been as high as \$4,800, and it can go even higher than that. But most people are saving in the range of \$2,000 to \$3,000 per year," says partner Bob Harvey.

Ottawa tax lawyer Adam Aptowitz, with the firm Drache LLP, says while pension splitting can result in a larger refund for the couple, it underscores the fact that one partner is making more money than the other. "What happens is that there is a power imbalance between the spouses," Mr. Aptowitz says, noting both spouses have to agree to the income split.