
Build Your Wealth Together

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The wedding and honeymoon are over and you're settling in to your new life. You've accomplished many goals together over the past year with compromises being made over wedding plans, honeymoon destination, and a million and one other details. As you settle in for a long and fruitful life together, it's an ideal time to discuss your financial goals and map out an effective tax strategy that supports it.

Create an Investment Strategy for Your Tax Savings

The subject of tax planning for couples seldom makes the list of top priorities when beginning a new life together. That's too bad as it is one of the top wealth building strategies that couples can undertake.

According to the Fraser Institute, the Canadian Consumer Tax Index has risen significantly over the past five decades. The average Canadian family pays up to 42.4% of their income to the taxman. That is up from 33.5% in 1961. In comparison, the average Canadian family spends 37.6% on the basic necessities of life food, clothing, and shelter.

With this much of the family income going to taxes, it is wise to speak with a knowledgeable tax advisor to reduce this amount wherever possible. For example, the average Canadian family has an annual household income of approximately \$70,000. With all forms of taxation included and using the 45% rate, the average Canadian household pays \$31,500 in taxes per year.

Let's expand on this example and see what an effective tax planning strategy can do for building wealth. Let's say that after you visit a qualified tax advisor, you learn how to **reduce your income tax payable each year by \$5,000** using various available tax shelters. (That's just enough to fund your TFSA). If you invest that \$5,000 every year at an annual rate of return of 8%, it will **grow to over \$566,000 over 30 years** not accounting for inflation. If you repeat the tax strategies year after year, you can accumulate a significant retirement nest egg or save for a child's education.

While these figures are just an example, you can certainly see the wealth building power of having a tax planning strategy.

Effective Tax Strategies for Newlyweds

- It's never too early to contribute to your retirement plan. [1] Investments into RRSPs will reduce your own taxable income and the tax on the withdrawal will be lower when you're in a lower tax bracket.
- Take advantage of the tax shelter provided by the TFSA. Contributions are made with after-tax dollars but the growth is tax-free and withdrawals are also tax-free.
- Some tax benefits are available for couples who have children. For example, the Canada Child Tax Credit and the Canada Family Tax Credit.

There are numerous options that couples can use to reduce their income tax and get on the fast track to building wealth. A qualified tax and investment planner will work with you on your financial goals and devise a strategy that works best for your circumstances.

Consulting with a tax and investment planning strategist when you are first starting out can lead to a significantly larger investment portfolio at a much earlier age.

Need help with your Tax Strategy? Please consult your tax professional.

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