

As quoted in article entitled "Seniors get off easier from trust shakeup" by Rob Carrick in the Globe & Mail, page B19 on November 2, 2006

"To David Phipps, a senior investment adviser with Assante Capital Management Ltd. in Ottawa, pension-income splitting is more significant than the news that income trusts face a life-altering tax hit starting in 2011. "For a lot of Canadians, pension-income splitting is going to have a really huge impact." To show what he means, Mr. Phipps created a rough guide based on a couple where the husband has \$50,000 in pension income and the wife has no income. With the new income-splitting rules in place, both the husband and the wife would be able to report income of \$25,000.

Previously, the husband would have paid about \$10,200 in tax based on an average tax rate for Ontario residents of 20.4 per cent. With income splitting, both spouses would pay taxes at a rate of 13.9 per cent, and their total income tax owing would be \$6,950. Total tax savings: \$3,250 per year.

It's worth noting that income splitting has long been possible through the use of spousal RRSPs, where a higher-income spouse puts money in an RRSP in the name of a lower-income spouse. But you have to set up a spousal RRSP well before retirement, whereas the new pension-income splitting system will simply be a matter of filling out your tax return in the right way each year after you turn 65."