As the final weeks of 2016 draw to a close, most of us are focused on Christmas shopping, holiday parties and New Year’s festivities. However, this is also the time to implement any final tax strategies that could help put more tax dollars back in your pocket. Here is a laundry list of strategies that may go a long way to helping reduce your taxes for 2016.
**Investors should consider the following strategies for their portfolios:**

**Initiate trades before investment deadline**

If investors are planning to sell an investment at a loss in order to offset it against capital gains this year or in the past three years, the settlement date must fall in 2016. For most securities and mutual fund trades, you will need three business days for the transaction to settle. Therefore, you will need to place your stock or mutual fund trade by December 23rd, 2016 in order to ensure the trade settles in 2016, and your capital loss applies to 2016.

**Trigger accrued losses before year-end**

You may own securities or mutual funds which have dropped in value from the time you purchased them. If so, now might be a good time to review these investments with your financial advisor to determine whether it is prudent to continue to own it. If not, it may be time to sell the investment to trigger the capital loss.

Capital losses are used to offset capital gains in the current year first, then any excess can be applied against capital gains in any of the three prior calendar years. If you have paid tax on capital gains this year or in the previous three years and have losing investments, consider triggering the capital loss before year-end. It is preferable to carry back losses to the earliest year possible since the oldest years will expire first. This strategy will potentially help you recover taxes paid on previously reported capital gains.

**Corporate class funds – Switch before year-end**

Investors are able to switch between corporate class mutual funds on a tax-deferred basis. However, the 2016 Federal Budget introduced new rules that will deem switches between corporate class funds within a mutual fund corporation to occur at fair market value, effective January 1st, 2017. This will result in taxes payable if the investments have appreciated in value. Therefore, consider making any necessary portfolio switches before year-end for your non-registered corporate class mutual funds to take advantage of the tax-deferred rollover opportunity. This is an opportune time to reposition your portfolios so that they are congruent with your long-term investment objectives.

**Treat capital gains appropriately**

Capital gains are triggered when an asset is sold for more than what you paid for it. While capital gains are a tax efficient form of income, there are opportunities to treat capital gains in a manner that can minimize the tax bill even further. Here are some ideas to consider:

1) If you have unused losses, you can use those losses against your capital gains.

2) Crystallize In-trust for (ITF) accounts where the beneficiary has little or no income. With the use of the basic personal amount ($11,474 for 2016), you may trigger up to $22,948 in capital gains without paying any tax.

3) Delay any sale until after December 31st, 2016. Doing so allows you to push your tax bill to April 2018, the time you have to file your 2017 personal tax return.

4) Structure the sale of an asset such that the proceeds are collected over more than one year. The capital gains reserve allows you to spread the tax liability over a maximum period of five years if you receive payment over five years. See a tax professional who can assist you with this strategy.

5) Claim the $824,176 capital gains exemption if you’re selling qualifying small business shares (QSBC) or $1,000,00 exemption available on the sale of qualified farm / fishing property. Even if you do not plan on selling your QSBC shares, farming / fishing property, consider crystallizing the shares / property in order to bump up the ACB of your shares / property. This is a highly complex area of tax law. It is advisable to speak to a tax professional about this strategy.

**Transfer investments to child**

Consider transferring investments that have dropped in value to a minor child before year-end. You will trigger a capital loss that can be offset against capital gains this year or in the previous three years. In addition, you can pass the tax liability for any future growth of the investment to the minor child, since the attribution rules do not apply to capital gains triggered by minor children.

**Donate securities to charity**

A donation to a registered charity by year-end provides valuable tax credits. If you are planning to make a donation to charity, consider directly donating publicly traded securities or mutual funds that have appreciated in value, instead of cash. You will receive a donation receipt equal to the value of the investment at the time of the donation and any resulting capital gain is exempt from tax.

**Donate cash to charity if you are a first-time donor**

Enhanced charitable tax credits are available as of March 21st, 2013 up to the end of the 2017 calendar year through a new First-Time Donors Super Credit. The enhanced tax credits mean that cash donations on the first $200 provide federal tax credits of 40% and 54% on donations in excess of $200, up to a maximum donation of $1,000, plus provincial tax credits as well for those who are considered a first-time donor. A first-time donor is an individual (or couple in the case of a marriage or common-law relationship) who has not claimed a charitable donation tax credit after 2007. If you are a first-time donor, consider making a donation of cash to charity for big tax savings.
Establish a private foundation
Consider donating cash, securities or insurance to the Mackenzie Charitable Giving Program by December 23rd, 2016 to obtain tax savings. This cost effective private foundation allows you the flexibility of establishing grants to any number of charities or other institutions of your choice, providing you tax savings and simplifying your philanthropic objectives.

Adjust your instalment payments
Some investors are subject to tax instalments, due March 15, June 15, September 15 and December 15. Instalment payments are based on previous years income. Therefore, if your income for this year is lower than in previous years, consider reducing your final instalment payment on December 15th.

Contribute to a tax-free savings account (TFSA)
Effective January 1st, 2009, annual contributions can be made into a TFSA up to a cumulative total of $46,500 (including 2016). The contribution limit in 2016 is $5,500. Investment income earned and withdrawals from a TFSA are tax-free; giving you the financial flexibility to save for specific goals without the impediment of taxes. Consider contributing to your Mackenzie TFSA before year-end to take advantages of the tax-free income and withdrawals that a TFSA provide.

Also, if you’re planning to withdraw money from your TFSA in early 2017, consider withdrawing the funds by year-end so that you don’t have to wait until 2018 to re-contribute those funds.

Contribute to a Registered Disability Savings Plan (RDSP)
If you or a loved one qualifies for the Disability Tax Credit (DTC), an RDSP may be established to assist in securing the financial future for a beneficiary with a disability. While contributions to an RDSP are not tax deductible, investment returns earned inside the RDSP grow on a tax-deferred basis for as long as the funds remain in the plan. There are no annual maximum contribution limits, but rather a lifetime limit of $200,000 that can be contributed at any time up to the end of the year in which the RDSP beneficiary reaches the age of 59.

What makes RDSPs so appealing are the generous government grants and bonds that can go a long way to boosting the savings in the RDSP. Depending on the disabled person’s family net income, the beneficiary may qualify for matching government contributions in the form of a Canada Disability Savings Grant (CDSG), equal to as much as $3,500 on the first $1,500 of contributions. In addition, the government will provide an annual bond (Canada Disability Savings Bond) of up to $1,000 based solely on family net income, and not on contributions. As a result, RDSPs are a great opportunity for beneficiaries with disabilities to increase savings for retirement. Speak to your financial advisor about establishing a Mackenzie RDSP for family members with disabilities.

Maximize RDSP grant and bond carryforward
RDSP carry forward rules entitle RDSP beneficiaries to previously unclaimed Canada Disability Savings Grants (CDSG) and Canada Disability Savings Bonds (CDSB) going back to 2008 and will allow you to carry forward unused CDSG and CDSB entitlements for a period of 10 years, to an annual maximum of $10,500 for CDSGs and $11,000 for CDSBs. If you have unused CDSG and/or CDSB entitlements from previous years, a contribution of $3,500 to an RDSP before year-end may entitle you up to $10,500 of CDSGs, and possibly $9,000 of CDSBs if this is a newly established RDSP. This is of particular importance if you are age 49 by the end of this year as this will be your last opportunity to access any unclaimed grant or bond entitlements. Speak to your advisor for more information about kick starting your RDSP.

Investors should consider the following strategies for their RRSP:

Make your RRSP contribution on time
RRSP contributions must be made by the end of the first 60 days of 2017. The RRSP contribution deadline is March 1st, 2017 and the RRSP contribution limit for 2016 is $25,370. Make your contribution as soon as possible as you will have more money working for you sooner. Refer to your latest Notice of Assessment, which will inform you of your available RRSP contribution limit. Any excess contributions exceeding $2,000 are subject to a 1% per month penalty tax.

Make the most of your unused RRSP contribution room
If you have contributed less than the maximum permitted in prior years to your RRSP, you should have unused RRSP contribution room carried forward to 2016. Consider topping up your RRSP to the maximum possible in order to take advantage of the benefits RRSPs have to offer. If you’re short on cash to maximize your RRSP room, consider borrowing to make your RRSP contribution. Speak to your financial advisor about ways you can maximize your RRSP contribution room.

Contribute to a spousal RRSP
If you have a spousal RRSP established, make your spousal RRSP contribution before year-end to minimize the possibility of having the attribution rules apply on any future withdrawals. For example, if you make a spousal RRSP contribution this year, your spouse can safely withdraw funds from the spousal plan and pay tax on the income as early as January 1st, 2019. A spousal RRSP contribution made in January 2017 will mean that your spouse will have to wait until January 2020 before he / she can safely withdraw funds without the attribution rules applying.
Contribute to spousal RRSP if your spouse / CLP passed away this year
Where your spouse or common law partner passed away with unused RRSP contribution room this year, the executor of the estate (which may be you) should consider making a final contribution to a spousal RRSP by March 1st, 2017. This will provide tax savings as the RRSP contribution can be deducted against income on the deceased’s final tax return.

Base withdrawals on age of younger spouse or common law partner
If you will be 71 by the end of 2016, you must convert your RRSP to a RRIF and begin drawing an income from your RRIF. Consider basing the minimum RRIF withdrawal on the age of the younger spouse. This will keep your required annual RRIF income as low as possible each year and allow you to keep more in your RRIF, thus deferring tax longer.

Delay HBP withdrawals until after year-end
The Home Buyer’s Plan (HBP) is a great way to help fund a down payment for a home. However, there are some tricky rules that can be handled more easily if you delay your withdrawal until after year-end. Specifically, you must purchase a qualifying home by October 1st of the year following the withdrawal, all withdrawals must be made in the same calendar year and repayments begin two years following the year of withdrawal. Delaying your withdrawal until after year-end allows you more time to purchase a home, make more withdrawals under the plan and extend the time before you must begin repaying funds to your RRSP.

Make your required HBP repayment
You are required to begin your HBP repayments in 2016 if you participated in the program prior to 2015. To avoid any unnecessary income inclusion, be sure to make your required repayment and designate the contribution as a repayment on Schedule 7 of your personal tax return. Check your latest Notice of Assessment from the CRA for more information if you’re unsure of your repayment requirement.

Consider missing your HBP repayment
As discussed above, failure to meet your minimum HBP repayment creates an income inclusion. However, in some instances it may work to your advantage to intentionally miss your HBP repayment. Consider missing your HBP repayment if you are in an unusually low-income year, or where the funds were borrowed from a spousal RRSP and your spouse/CLP is in a lower tax bracket. HBP withdrawals are not subject to the spousal RRSP attribution rules and therefore the income inclusion will fall in the hands of the annuitant spouse – another great way to income split!

Know your U.S. filing requirements
If you are a U.S. person (i.e., citizen, resident or green card holder of the U.S.) living in Canada throughout 2016, be aware of various U.S. reporting requirements in addition to U.S. income tax filings. Some examples include the FinCEN Report 114 (also known as FBAR) if you own financial accounts in excess of $10,000 USD at any time during 2016, Form 8938 – Statement of Foreign Assets, if you own certain assets that exceed either $200,000(USD) at the end of 2016, or $300,000(USD) at any time during the year if you live in Canada. In addition, if you are a U.S. person and contribute to, or are a beneficiary of an RESP, you may need to file Form 3520 / 3520-A in the U.S. This form may also need to be filed in the U.S. if you own a Tax Free Savings Account. These forms have various deadlines and penalties for non-compliance and are dependent on assets you own throughout 2016. These are complex issues and should be dealt with by a qualified tax advisor.

Beware of PFIC reporting obligations
If you are a U.S. person (i.e., U.S. citizen / resident or green card holder of the U.S.) with Canadian mutual funds, you are considered to be a shareholder of a Passive Foreign Investment Corporation (PFIC) for U.S. tax purposes and are required to file IRS Form 8621 with your U.S. tax return. PFIC shareholders are subject to negative U.S. tax implications. One method to reduce the tax impact and avoid nasty interest and penalty charges is to file a Qualified Electing Fund (QEF) election when you file your U.S. tax return. QEF elections are only available where mutual fund companies are able to provide you with an Annual Information Statement (AIS) with respect to your investment holdings. Work with your financial advisor to determine whether the PFIC rules apply to you, and what you can do to minimize the tax impact. Mackenzie offers AIS reporting for all mutual funds, thus providing investors with the potential opportunity to minimize the U.S. tax implications.

Claim a “Closer Connection Exception”
If you, like many Canadians (i.e., snowbirds) spend on average approximately 4 months of the year in the U.S., you may be automatically considered a U.S. resident for U.S. tax purposes if you meet a specific days test in the US, known as the “substantial presence test”. As a result, you may be subject to U.S. tax and filing requirements even though you are Canadian resident and pay Canadian taxes. However, if you meet this test, you can avoid being considered a U.S. resident by claiming that you actually have a closer connection to Canada. To claim the closer connection exception, you must file Form 8840 with the IRS and meet other conditions. Speak to a tax professional if, during 2016 (and in the previous two years) you have spent time in the U.S. and may benefit from this exception.
Taxpayers with pensions, income plans and government benefits also have opportunities to minimize tax by implementing the following strategies:

Make an advanced RRSP contribution
If you are 71 by the end of this year and have earned income in 2016, consider making an RRSP over contribution in December 2016. Earned income in 2016 creates RRSP contribution room for 2017. However, you will not be permitted to contribute to an RRSP next year, since you are required to convert your RRSP to a RRIF before year-end. This strategy does mean that you will be overcontributed for one month and hence subject to a 1% per month penalty tax. However, you will also be entitled to an RRSP deduction in 2017 that will provide tax savings that will far outweigh the penalty tax cost. Speak to your financial advisor about the specifics in your situation.

Apply for government benefits (OAS & CPP)
If you have reached age 60 in 2016, consider applying for your CPP retirement pension benefit. When you apply for CPP before the age of 65, your pension will be adjusted to reflect a longer time period that you will receive benefits. There are new rules that apply to those collecting CPP benefits early, including changes to how your pension is adjusted and also the continuation of paying premiums if you continue to work prior to age 65. Review Mackenzie Tax & Estate Reports “Canada and Quebec Pension Plans – The changing Rules for Government Pensions” (TE1033) for more information.

If you have reached age 65 in 2016, you should also apply for Old Age Security (OAS) benefits as soon as possible. Do not delay your application after turning 65, since retroactive payments are only available for up to 11 months plus the month in which you apply for OAS. You may also choose to delay your OAS for up to five years.

Create eligible pension income
Rules were introduced in 2006 that allow for spouses & common law partners (CLP) to allocate up to 50% of pension income that qualifies for the existing pension income tax credit to their spouse/CLP, as a means of income splitting. If you are over 65 this year and have no other eligible pension income, consider drawing on your RRIF in order to take advantage of the income splitting opportunity presented with these new rules. Additionally, if your spouse / CLP is over the age of 65 as well, you and your spouse will qualify for the pension income tax credit. Therefore, in addition to the tax savings from income splitting, you will receive tax savings from the pension income tax credit – a double benefit! Speak to your financial advisor about applying this strategy in your specific situation.

Opt out of CPP premium payments
Under new rules for CPP retirement benefits, pensioners receiving CPP prior to age 65 and continuing to work are required to continue paying CPP premiums. For those over age 65 (and under age 70), pensioners who continue to work have the option of continuing to pay CPP premiums. If you turn age 65 this year, continue to work and collect CPP, consider filing an ‘election’ to cease CPP premium payments. The election form is CRA form CPT30 and must be filed with your employer and the CRA. Discuss the pros and cons of opting out of CPP premiums with your advisor.

Employees receive a number of taxable benefits that can be dealt with tax efficiently by following some of these strategies:

Pay interest on loans
If you have received an employee loan, a taxable benefit may exist if you pay anything less than the prescribed interest rate set by the CRA. To avoid the taxable benefit, ensure any interest owing on the loan is paid by January 30, 2017.

Defer your bonus
This is the time of year in which many employees receive bonuses for exceptional work. Consider speaking with the employer about delaying payment of the bonus until after year-end. Delaying your bonus by one month allows you to defer the resulting tax bill to April 2018, a full 16 months to when you have to file your 2017 tax return.

Reduce the stand-by charge & operating benefit
Employer provided vehicles are a great perk, but can have nasty taxable benefits in the form of a standby charge and operating benefit if you’re not careful about tax planning. To reduce the possible stand-by charge, reduce the number of days between today and year-end that the car is available to you. Also, consider reimbursing your employer for any operating costs by February 14th, 2017.

Reduce source withholdings
If you expect a refund when you file your tax return, due to RRSP contributions, interest deductions on investment loans, charitable donations, alimony or maintenance payments, consider speaking to your employer about reducing source deductions from your pay. Alternatively, considering filing form T1213 with the CRA so that you reduce your tax bill now, as opposed to waiting until April to get your refund!
Families have a number of last minute ideas that can help reduce total taxes on a family basis. Here are a few ideas:

Identify income-splitting opportunities
Families have the ability to creatively split income so that their tax bill can be reduced. Here are some popular ways families can income split to reduce taxes for 2016 and beyond:

- a) Setting up a loan with your spouse / CLP
- b) Create second generation income
- c) Swap assets with family member
- d) Transfer assets to adult or minor children
- e) Contribute to a spousal RRSP
- f) Apply for CPP retirement pension sharing
- g) Consider RESPs for a child’s education

Please see Mackenzie’s “Income Splitting Brochure” for more information on these and other great income splitting strategies.

Contribute to an RESP
In addition to the income splitting opportunities available with the use of RESPs, there are other important benefits of RESPs that you should take advantage of before year-end. Contributions to an RESP entitle you to a grant, known as the Canada Education Savings Grant (CESG) of up to $500 per year, or $1,000 if there is unused grant room because of contributions of less than the maximum CESG-eligible contributions from previous years. Consider contributing at least $2,500 to an RESP by year-end to receive the maximum CESG for this year, or possibly more if you have unused grant room from previous years.

If you haven’t started an RESP for your growing children it may not be too late to maximize the CESG. In fact, if your child is age 10 or younger, you still have the opportunity to maximize the CESG. Also, if your child is age 15 and you have never started an RESP for that child, consider contributing at least $2,000 by year-end. Otherwise, your child is not eligible to receive any CESG at age 16 or 17, regardless of whether RESP contributions are made in those years.

Speak to your financial advisor about obtaining as much grant as possible for your RESP.

Take advantage of various tax credits
A variety of tax credits may be available, including the Child Fitness Tax Credit, the Arts Tax Credit and the Public Transit Tax Credit. The Child Fitness Tax Credit is available to parents of children under the age of 16 who are registered in an eligible program of physical activity, to a limit of $500 per child. The Arts Tax Credit provides a similar credit for children in qualifying arts programs, to a limit of $250 per child. Note that 2016 will be the last year in which the Child Fitness and Arts tax credit will be available, as both credits will be eliminated in 2017. The Public Transit Tax Credit is a credit for the cost of buying a monthly (or longer duration) pass for commuting on buses, streetcars, subways, commuter trains and local ferries. A new tax credit for teachers and early childhood educators is available starting this year that will provide a tax credit for the cost of supplies up to $1,000. Unlike other tax credits, you will need to provide original copies of receipts to claim any of these tax credits, therefore be sure to obtain all receipts for eligible expenses.

Pay child care expenses to adult children
Consider paying your adult children (over 18 in the year) for any qualifying child care services they provided to you, for your younger children (16 or younger) throughout the year. The services must be incurred to allow you, the parent, to earn employment or business income. Qualifying child care expenses are tax deductible in the year they are paid. The income is taxable to the adult child, who is likely taxed at a very low to zero tax rate. A great way to income split with your family.

Accelerate medical expenses
Medical expenses can be claimed for any 12-month period up to the end of the year and only provide tax savings where they exceed the lesser of a) 3% of your net income or b) $2,237. Therefore, accelerate medical expenses for you, your spouse / CLP and children before year-end in order to maximize tax savings.

Review trust income
Trusts are established for a variety of purposes, including income splitting. Consider working with your financial advisor or tax professional to determine how much income was earned in the trust and how much income, if any, should be flowed out to the beneficiaries of the trust. Trusts also include testamentary trusts, which as of 2016, income earned in the trust is taxed at top marginal tax rates, similar to inter-vivos trusts. Special care should be taken where Henson Trusts are established to ensure distributions from the trust do not affect any government disability benefits for the disabled beneficiary.

Incorporated business owners have great flexibility in their tax planning. The following are some last minute tax saving ideas with the use of corporations:

Defer your income
Consider delaying certain income you expect to receive during the remainder of this year until 2017. This will allow you to defer the tax bill on that income by a full year. Speak to a tax professional about this strategy.
Pay salaries to family
Income splitting among family members is a simple strategy for an incorporated business owner. Consider paying family members (i.e. spouse / children) a reasonable salary or wage for services provided to the corporation this year. This is an easy way to shift income into hands of family members who pay tax at lower tax rates. In addition, this provides an opportunity for children to start building RRSP contribution room.

Determine compensation mix
As a shareholder, you may be compensated by your corporation either in the form of salary, eligible or non-eligible dividends. The optimal compensation mix can only be determined after considering the financial and tax position of both yourself and your corporation. Speak with your corporate accountant about determining what optimal compensation mix is most appropriate in your situation.

Purchase a vehicle from your company
Consider purchasing the vehicle that the company has provided you if the car has depreciated in value and you continue to be stung by the taxable stand-by and operating cost benefit annually. This will potentially allow you to avoid the annual taxable benefits and begin receiving a tax-free car allowance from the corporation for business use of your vehicle.

Claim an ABIL
A business investment loss may be available to you if you lent money to, or invested in shares of a small business corporation that has become insolvent or bankrupt. The allowable business investment loss (ABIL) is equal to 50% of the loss and does not only offset capital gains, but can be applied against any other type of income as well. The ABIL rules can be quite tricky, so be sure to speak to a tax professional about your ability to claim an ABIL this year.

Reduce taxable capital
Consider strategies to reduce taxable capital before year-end if your corporation is subject to provincial capital tax in 2016 (federal capital tax has been eliminated). Corporate class mutual funds are a great way to alleviate capital tax, as it qualifies for the investment allowance that helps to reduce capital tax.

Shareholder loans to your company
Consider reclassifying payments made to you throughout the calendar year by your corporation as a repayment of a shareholder loan owing to you. Shareholder loan payments are tax-free and a very tax efficient way of drawing money out of the corporation with excess cash.

Shareholder loans from your company
If you have borrowed money from your corporation in the year before the most recent corporate year-end, you should consider repaying the loan in full before the corporate year-end. Otherwise, you will face an income inclusion on your personal tax return for the value of the loan payment not repaid. Speak to a tax professional about certain exceptions to the rule and whether they may apply in your situation.

Make a gift or award to an employee
As an employer, you are entitled to provide up to two non-cash gifts or awards annually to employees provided the aggregate cost of the gifts, including HST / GST and PST does not exceed $500. If you are planning to provide gifts or awards to your employees, be sure not to exceed the $500 threshold, since exceeding the threshold will cause the entire value of the gift (not just the excess over $500) to be taxable to the employee.

2016 is quickly coming to an end. Therefore, if you wish to consider any of these strategies for yourself, contact your financial advisor immediately who can assist you in implementing any strategies that benefit you.
GENERAL INQUIRIES

For all of your general inquiries and account information please call:

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