

## The 2009 Federal Budget and Your Financial Plan

Finance Minister Jim Flaherty delivered his federal budget in Ottawa on Tuesday, January 27<sup>th</sup>.

This budget has a few items that could possibly affect your financial plan and/or present additional opportunities. In case you haven't had a chance to review the media coverage, here is a quick overview of the federal budget.

**Tax bracket changes:** Changes to the personal income tax brackets are among the more notable developments announced in Budget 2009. As of January 1, 2009, the two lowest income tax brackets will be raised 7.5% above 2008 limits to \$40,726 and \$81,452 respectively. The basic personal amount will also be increased to \$10,320 in 2009, up from \$9,600 in 2008.

The change to the lowest tax bracket could also affect those collecting income - tested benefits like the National Child Benefit Supplement and the Canada Child Tax Benefit - the budget proposes to apply the new upper limit of the 15% tax bracket for income testing both, allowing lower income families to earn more before clawbacks begin - a move that Flaherty says, "will help low and middle income Canadians and it will stimulate consumer spending."

**RRSPs, RRIFs and Estate Planning:** There will be income tax provisions to recognize a decrease in the value of RRSP or RRIF investments that occur after the annuitant's death and before they are distributed to beneficiaries.

**RRIF withdrawal reductions:** There will be a one-time 25% reduction in the mandatory withdrawals of RRIFs for the 2008 taxation year.

**Senior age credit increase:** The government increased the age credit amount by \$1,000 for a total of \$6,408.

**Home renovation tax credit:** Planning to upgrade or retrofit your home? This new credit, effective between January 28, 2009 and February 1, 2010, allows you to claim 15% on the portion of eligible expenditures exceeding \$1,000, but not more than \$10,000, for a maximum tax credit of \$1,350.

**For small business owners:** The government plans to increase the amount of small business income eligible for a reduced 11% federal tax rate from the current \$400,000 to \$500,000 retroactive to January 1, 2009.

I hope you find these highlights useful. If you'd like to discuss these and other federal budget initiatives and how they might affect your financial plan, please contact our office.

Sincerely,

*Don*

Donald G. Flack CFP, CLU, CH FC