

# Solutions for Business Owners

## Income Splitting Using Family Trusts



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# Income Splitting Using Family Trusts

A Family Trust is a legal arrangement benefiting business owners who wish for their lower income family members to participate in business income without being owners. It can be useful in helping to provide significant tax and estate planning opportunities.

Some of the potential benefits of a Family Trust include:

- Multiply capital gains exemptions
- Exclusion from estate taxation
- Creditor protection
- Income splitting

The strategy is for a business owner to pay dividends from their active corporation into a Discretionary Family Trust which then pays the dividends to the lower income family member beneficiaries of the Trust.

The table below shows the tax saving potential of a Family Trust.

	<b>Dividend Paid to Family Trust Beneficiary</b>	<b>Dividend Paid to Business Owner</b>
After-Tax Earned in Active Bus. Corp. <sup>(1)</sup>	\$40,000	\$40,000
Dividend Paid to Trust Beneficiary	\$40,000	N/A
Dividend Paid to Business Owner	N/A	\$40,000
Tax Payable on Dividend <sup>(2)</sup>	\$2,452 <sup>(3)</sup>	\$18,120 <sup>(4)</sup>
<b>Annual Tax Savings Using Family Trust</b>	<b>\$15,668</b>	

The annual tax savings can be multiplied depending on the number of beneficiaries. Beneficiaries must be at least 18 years old to receive beneficial tax treatment.

The use of a Family Trust is part of the business owners integrated tax, investment, exit and estate plans. *Remember to always seek the advice of experienced and professional Advisor(s) prior to implementing any tax, investment, and estate strategy.*

1. Assume small business tax of 15% paid on active business income for a Canadian Controlled Private Corporation (CCPC) in Ontario
2. Ineligible dividend
3. Assume beneficiary has no other income – tax paid on ineligible dividend is at 6.13%
4. Assume business owner has other income of at least \$220,000 - tax paid on ineligible dividend is 45.30%

# West End Wealth Planning, Part of IPC Securities Corporation



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## Our Personal Wealth Management Strategy

### *Wealth Without Worry*

Helping our clients to “not” consistently worry about their financial situation or make costly financial mistakes, is just part of our Personal Wealth Management Strategy.

Our all-encompassing process helps you to make intelligent financial decisions and guides the integration of your investments, tax minimization, asset protection, estate, and retirement strategies.

*To provide you with a better understanding about how your financial decisions are effecting your current and future wealth, we will cover the cost of a professional assessment on your overall financial and investment strategies.*

### **To Schedule a Financial & Investment Risk Assessment**

Call us @ **416-640-9990 extension #4**

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