



## Five ways to reduce your 2025 tax bill

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The start of the year is the perfect time to review strategies to reduce your taxes for the year ahead. Here are five things to consider in 2025.

### Tax-smart portfolio rebalancing

If you've got equities in your non-registered portfolio, now may be a good opportunity to discuss rebalancing your non-registered portfolio with your financial advisor to potentially defer the capital gains tax by up to 15 months.

For example, let's say your target portfolio allocation is 70% equities and 30% bonds or fixed income. You go online and see that your portfolio is actually skewed 80% equities and 20% fixed income. To rebalance back to your target 70/30 mix, you may wish to sell some equities and replace them with fixed income. By putting in your sell order in 2025, paying the taxes owing on that capital gain could be delayed until April 30, 2026.

### Tax-gain donating

Be strategic in your charitable giving by making a budget for your annual donations. If you're holding significant appreciated securities in your non-registered portfolio, consider donating them "in-kind" to charity. Not only will you get a receipt equal to the fair market value of the securities donated, but you won't pay any capital gains tax on the accrued appreciation, which may save you up to about 37 percentage points of tax, depending on your province or territory of residence and income level, had you sold them and not donated them to charity.

If you give to multiple charities but would rather not deal with the process involved in transferring securities in-kind to each individual charity, consider establishing a “donor advised fund” with a public foundation. You get the tax receipt up-front at the time of donation and can then work with the foundation as to where you wish the funds to go – to any of Canada’s over 86,000 registered charities. It’s an easy way to make one, in-kind gift, save the capital gains tax on the appreciation and benefit the causes you care about.

## **Maximize contributions to all registered plans**

The numbers are in for 2025: you can contribute 18% of your 2024 earned income to your RRSP up to a maximum of \$32,490, plus any unused RRSP contribution room from 2024 (subject to pension adjustments). This maximum is reached if your 2024 income was \$180,500 or higher.

The 2025 TFSA limit is \$7,000. If you’ve never opened up a TFSA, you can immediately contribute a cumulative \$102,000 to your TFSA if you’ve been at least 18 from 2009 and resident in Canada throughout those years.

If you’ve got kids, and there’s any remote chance they will head off to pursue some post-secondary education, consider contributing at least \$2,500 annually for each kid to their Registered Education Savings Plan (RESP) to be eligible for the maximum Canada Education Savings Grant from the government of Canada of 20% or \$500. If you’ve missed a prior year, consider doubling up and the plan may receive \$1,000 of CESGs all at once.

And if someone in your family has a severe disability and qualifies for the disability tax credit, don’t forget the Registered Disability Savings Plan (RDSP), which can provide grants and bonds from the government of Canada. In the first year Canada Disability Savings Grants may add \$3,500 with just \$1,500 of contributions, and Canada Disability Savings Bonds may add \$1,000 with no contributions, depending on the age of the beneficiary and family income.

## **Make your interest tax deductible**

Interest you pay on money borrowed to earn business or investment income is generally tax deductible while interest on consumer debt and your home mortgage is not deductible. But there may be a way to do a debt-swap to convert non-deductible interest into tax deductible interest.

For example, let’s say you have some non-registered investments. You may wish to consider selling them to pay off your mortgage (non-deductible debt) and then borrowing back the funds for investment purposes (tax-deductible debt). This allows you to effectively write off what otherwise would have been non-deductible personal mortgage interest. Things to consider are any penalties for extinguishing your mortgage early, any tax on gains on the investments you liquidate, and whether a borrowing-to-invest strategy is right for you.

## **Get organized, now, for tax season**

Start now to organize this year’s tax receipts into categories: medical receipts, donations, business expenses, etc. This also includes going through your e-mail in-box and either printing or setting up a special electronic folder for any donation e-receipts you may receive, so you’re not scrambling come tax time in the spring.

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