Investor Insights

Why Share Your Notice of Assessment?

It may have taken some time and effort, but you managed to complete your income tax return for another year. While most of your work is done, you're not quite finished yet.

After the Canada Revenue Agency (CRA) reviews your tax return, they will send you a Notice of Assessment (NOA). Go through it carefully and also think about sharing it with your Investment Advisor. Before we consider the main reasons why, let's look at the basics of the NOA.

What is a Notice of Assessment?

The NOA is an annual statement that the CRA sends (through the mail and/or electronically) after you file your income tax return. It will state whether you received a refund or had an amount owing, and will provide the exact figure. If a balance due remains outstanding, you should pay it promptly to avoid additional interest charges.

The NOA is also an itemized tax assessment. It will list details from that specific tax year, such as your income, deductions, credits and tax payable (both federal and provincial). If you made an error when filing your return, CRA will correct it and provide an explanation of the adjustments they made. The NOA will also indicate your RRSP contribution limit for the next calendar year, as well as the dollar amount of unused net capital losses (if any) from previous years that you may apply to reduce taxable capital gains in the future.

An advisor can help decipher your NOA

As you can see, the NOA is a practical and informative snapshot of your finances for the past year. When you read through it, enhance your overall understanding of the types of income you generate and your primary sources of tax relief. Take note of any mistakes or incorrect calculations you may have made, so you can avoid them when filing future tax returns. You may also wish to meet with your Investment Advisor to share your NOA.

An advisor has the experience and relevant skills to review your NOA with a critical eye and offer specific advice regarding matters you might be unaware of. Maybe you missed capturing some deductions or credits that would lower your income tax payable or increase your tax refund. If you donate to charities, an advisor may recommend – depending on your financial situation – that you donate securities instead of cash, or defer claiming donations to a future tax return in order to maximize your tax savings.

An advisor may also uncover opportunities to adjust your investment portfolio to increase tax-favourable capital gains and dividends while reducing income generated from interest, which is taxed at your highest marginal rate. Advisors are trained to develop and execute tax-efficient investment strategies so you can reduce the amount you owe each year. They may also collaborate with other professionals* in their network, such as an accountant or tax specialist, to help build a tax-smart plan that is customized for your unique financial circumstances.

It's also valuable for your advisor to know how much unused capital losses you have from previous years, as it may impact decisions on selling securities in the future that may trigger capital gains. Knowing your RRSP deduction limit for the upcoming year will help your advisor create or revise your strategy regarding how much to contribute. Your advisor may help you take advantage of a pre-authorized contribution plan so you can automatically contribute a set amount to your RRSP on a regular basis (e.g., monthly) rather than try to make a large annual lump-sum contribution.

INVESTED IN YOU.

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(22-0427) 02/22