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BMO Nesbitt Burns Tax Study: Only Half of Canadians Regularly Seek Out Tax Efficient Options When Making Investment Decisions

- *Almost 60 per cent of Canadians are unsure how capital gains and dividend income are taxed*
- *BMO offers a variety of tax smart investing options, including BMO SelectClass Portfolios*
- *Fifty-four per cent state that charitable donation tax credits have little influence in their philanthropic contributions*

TORONTO, April 16, 2014 – As the deadline to file income tax returns approaches, BMO Nesbitt Burns today issued a study which found that only half (51 per cent) of Canadians regularly seek out tax-smart options when considering new investments.

The study also found that a majority of Canadians say they are lacking knowledge about the tax treatment of certain types of investment income that can reduce their overall tax liability:

- Fifty-nine per cent are unsure how capital gains are taxed.
- Similarly, 59 per cent are uncertain how dividend income is treated from a tax perspective.

“One of the reasons why people don’t seek out tax efficient investing solutions may very well be because many don’t fully understand how investments are taxed,” said John Waters, Vice-President, Head of Tax & Estate Planning, BMO Nesbitt Burns. “Being aware of how investments are affected by taxes is the first step to being tax smart with your portfolio, and can be crucial in maximizing your overall return.”

Mr. Waters noted that an Investment Advisor can play a critical role in helping clients understand the tax implications when investing and working with clients to determine investment solutions that best fit their specific needs and goals.

BMO offers a variety of tax smart investing options, including BMO SelectClass Portfolios – a series of four risk differentiated portfolios constructed within a corporate class structure which allow investors to accumulate capital in a tax-efficient manner, through tax-deferred growth potential and tax-efficient monthly cash flow.

Do charitable donations influence Canadians’ tax decisions?

The study also found that the majority (54 per cent) of respondents stated that tax credits offered on charitable donations do not have much (or any) influence on their decision to give.

“The tax system is designed to encourage Canadians to donate and support charitable causes, so there’s definitely an incentive for people to consider factoring giving into their yearly budget,” said Mr. Waters. “Donating to charity provides not only the opportunity to do good, but can also reduce your income tax bill and put a little money back into your pocket.”

Mr. Waters added that donations can be claimed in the tax year they were made or carried forward for up to five years. To optimize tax savings, spouses can pool their charitable donations. Additionally, incentives like the “First-Time Donor’s Super Credit” (FTDSC), which is available until 2017, encourages Canadians to support charities by giving new donors an extra, one-time 25 per cent federal tax credit for cash donations up to a maximum of \$1,000. For example, under the FTDSC, with a donation of \$500 the federal tax savings to you would be \$242, which is in addition to the savings from your provincial donation tax credit.

Regional Breakdown:

Region	% who regularly seek out tax efficient investment options when considering a new investment	% who are not very or at all knowledgeable about how capital gains are taxed	% who are not very or at all knowledgeable about how dividend income is taxed	% who stated the tax credit offered on charitable donations does not influence much or at all their decision to donate
National	51	59	59	54
Atlantic	38	72	69	55
Quebec	59	66	56	54
Ontario	50	55	58	53
Prairies	51	63	65	54
Alberta	51	52	57	48
B.C.	45	53	59	61

The survey was conducted by Pollara between March 14th and March 17th, 2014 with an online sample of 1,007 Canadians. The margin of error for a probability sample of this size is ± 3.1%, 19 times out of 20. Data has been weighted by region, age and gender, based on the most recent Census figures, so that it is representative of adult Canadians.

For more information on tax efficient investing and planning, please visit www.bmo.com/nesbittburns.

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