

TAX SAVINGS



Adding up the benefits of pension splitting

	A. NO PENSION SPLITTING		B. PENSION SPLITTING	
	Jack	Diane	Jack	Diane
Pension Income	\$100,000	\$0	\$50,000	\$50,000
Other income	\$5,000	\$10,000	\$5,000	\$10,000
Old Age Security	-	-	\$5,900	-
Taxable Income	\$105,000	\$10,000	\$60,900	\$60,000
Federal tax (net of basic credit)	\$20,283	\$60	\$9,356	\$9,158
Age credit	-	n/a	(\$102)	-
Pension income credit (\$2,000)	(\$300)	n/a	(\$300)	(\$300)
Total federal tax	\$19,983	60	\$8,954	\$8,858
Ontario tax (net of basic credit, incl. surtax)	\$10,849	-	\$3,995	\$3,913
Ontario pension credit (\$1,183)	(\$112)	-	(\$112)	(\$112)
Ontario Health Premium	\$750	-	\$600	\$600
Total Ontario tax	\$11,487	-	\$4,483	\$4,401
Total federal + Ontario tax	\$31,470	\$60	\$13,437	\$13,259
TOTAL TAX PAID BY COUPLE:	A. \$31,530		B. \$26,696	

\$4,834 *The tax savings from pension splitting (A minus B)*

\$5,900 *Money from Jack's restored old age security.*

\$10,734 *Total benefit of pension splitting*