

# Taxes & Investment Income

## Three Types of Investment Income

The type of income produced by the investments in your portfolio affects how much you pay in tax on that income.



### INTEREST

Earned on investments such as treasury bills, GICs and bonds.



#### TAX TREATMENT

Interest is fully taxable at the same marginal tax rate as ordinary income.



### DIVIDENDS

Paid as a portion of the after-tax profits made from a Canadian public company of whose stock you own.



#### TAX TREATMENT

Eligible dividends receive preferential tax treatment through the dividend tax credit.



### CAPITAL GAINS

When an investment is sold, any profits on the investment (sales price less the original investment cost) are realized capital gains.



#### TAX TREATMENT

Capital gains receive preferential tax treatment as only 50% of a capital gain is taxable.

## TAXES ON \$10,000 OF INVESTMENT INCOME

This chart illustrates how much tax you would pay and how much you would keep if you had \$10,000 of investment income in interest, dividends and capital gains.



Assumptions: Scenario illustrates on Ontario resident with \$100,000 of taxable income. Calculations use marginal tax rates as of January 2021. Rates take all federal and provincial taxes, surtaxes, and the basic personal tax credit into account.

**Thomas Rowett, BA, RDA**

Senior Partner, Wealth, Estate and Tax

1FC Insurance Inc. & 1FC Wealth Inc.

905-985-6223 or 613-800-2866 tom@1fc.ca



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