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Resident Financial Primer 2023

February 2, 2024

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Now that you are officially a breadwinner, it's the perfect time to get a handle on your financial future.

With that in mind, PARO has created this primer: it includes useful tools, links and basic information that will demystify the world of personal finance and help you understand your options for everything from filing taxes to paying down your debt. It's not meant to replace professional advice; rather, consider it as a guide to the choices that await you.

Please note that most of the tax information contained in this document applies to Residents who are Canadian citizens and permanent residents, so if you are a Pool C Resident, we suggest that you consult your tax advisor directly.

We would like to thank PARO's Auditors Rosenswig McRae Rosso LLP for assisting with the tax information contained in this document.

The information contained in the PARO Financial Primer is general in nature and is not intended to provide specific tax or financial advice. You should consult your own tax advisor for specific advice based on your tax situation.

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INCOME & SAVING

Salary

Your salary as a resident is pre-determined via a collective agreement negotiated between PARO and the Council of Academic Hospitals of Ontario (CAHO). Your local pay centre will issue your salary either bi-weekly or semi-monthly, based on your site.

Pay Frequency by University

University of Ottawa	Bi-weekly
Queen's - Kingston General Hospital	Bi-weekly
Toronto - University of Toronto Postgraduate Medical Education Office	Semi-monthly
Northern Ontario School of Medicine	Semi-monthly
Western - London Health Sciences	Bi-weekly
McMaster - Hamilton Health Sciences Centre	Bi-weekly

Approximate Bi-weekly Income for a PGY 1 Resident (26 pay periods/year):

Annual Salary	$67,044.99
Gross Bi-weekly	$2,578.65
Income Tax	$425.79
Canada Pension Plan	$145.42
Employment Insurance	$42.81
Long Term Disability	$23.37
PARO Dues	$32.23
Net Bi-weekly Pay	$1,909.03

Approximate Semi-monthly Income for a PGY1 Resident (24 pay periods/year):

Annual Salary	$67,044.99
Gross Semi-monthly Pay	$2,793.54
Income Tax	$461.28
Canada Pension Plan	$157.54
Employment Insurance	$46.37
Long Term Disability	$25.31
PARO Dues	$34.92
Net Semi-monthly Pay	$2,068.12

Your annual salary rate is outlined in the PARO-CAHO Collective Agreement Article 22.1 and is based on your PGY level. Here are the current salary scales:

PGY1	$67,044.99
PGY2	$72,804.48
PGY3	$78,190.61
PGY4	$84,712.26
PGY5	$90,073.03
PGY6	$95,190.86
PGY7	$99,835.59
PGY8	$105,845.02
PGY9	$109,734.47

Call Stipends

A call stipend is the remuneration received on top of your annual salary for working call. Stipends must be paid a minimum of every three months. You may receive it either through payroll or by individual cheque.

Current call stipend amounts are:

Weekday call stipends	**Weekend call stipends**	*Effective July 1, 2023*
In-hospital	$161.86	198.49
Home Call	$80.93	99.24
Qualifying Stipend	$80.93	99.24

* Qualifying shifts are only those shifts where one full hour worked on the shift occurs between midnight and 0600h. Applies only to shift-based services (e.g. Emergency Medicine) where the residents on the service have no regular clinical hours. Where a resident on this service works a qualifying shift, i.e. a shift where the resident works at least one full hour between the hours of midnight and 6am, the resident is entitled to a qualifying stipend. When a resident is strictly on a shift-based rotation (i.e. Emergency Medicine), the only call stipend applicable is the qualifying stipend.

Call stipend claims must be submitted to the person(s) designated by the hospitals to receive such claims within 30 days following the end of the month in which the call was worked.

When submitting your call stipends, keep a printed record as proof.

- If submitting via fax, print a fax receipt
- If submitting via email, print a copy of the sent email
- If submitting through an online system, grab screen captures as you go

Income Tax Rates

The combined federal and Ontario marginal income tax rates for 2023, allowing for the basic personal amount credit of $15,000, are as follows:

Taxable Income	2023 Tax Rates
$15,0001 to $49,231	20.05%
$49,232 to $53,359	24.15%
$53,360 to $86,698	29.65%
$86,699 to $98,463	31.48%
$98,464 to $102,135	33.89%
$102,136 to $106,717	37.91%
$106,718 to $150,000	43.41%
$150,001 to $165,430	44.97%
$165,431 to $220,000	48.29%
$220,001 to $235,675	49.85%
Over $235,675	53.53%

Canadian Pension Plan & Employment Insurance

CPP and EI are also deducted from each pay with the following maximums:

	2023 Maximum Contributions	2024 Maximum Contributions
CPP	$3,754 when employment income is at least $66,600	$4,302 total when employment income is at least $73,830 * This includes maximum CCP and the new CPP2 contributions effective January 1, 2024
EI	$1,002 when employment income is at least $61,500	$1,049 when employment income is at least $63,200

For more information visit the Canada Revenue Agency website.

PARO Dues

PARO dues are deducted from your salary on each pay period at a rate of 1.25%. You can deduct these mandatory dues on your income tax return. The amount should be posted on your T4 slip in box 44.

** Deduct on Line 21200 of your tax return*

Tax Return Preparation

The most important part of preparing for your annual income tax return is to ensure that you keep all of your receipts. These may include:

- Tax-slips (T3, T4, T5, T2202 A, T2200 E)
- Letters confirming membership (e.g. CPSO, CFPC, RCPSC, etc.)
- Exam receipts issued by each institution (MCCQEI, Principles of Surgery (POS), CFPC and / or RCPSC certification exam).

Having a folder for each taxation year is a good way to get and stay organized.

There are two options for filing your income tax return: doing it yourself or hiring a professional. As tax season ramps up, you'll find lots of tax preparation services available. If you haven't filed taxes before, it may be a good idea to get a tax consultant to help you. If you are interested in doing it yourself, some software packages may simplify the process for you - UFile Online, TurboTax Free Online, H&R Block Online Free, and SimpleTax to name a few.

Once you file your return, generally you must keep a copy and your receipts for six years in the event that the CRA requests more information or undertakes an audit.

Investment Planning

The purpose of this section is to describe an overall approach to investing. There are plenty of books and Internet resources on how to be a successful investor, and we encourage you to read further on the subject and consult with a financial advisor. We have included a glossary of basic terms at the end of the guide to help you start your foray into the world of investing.

The concepts applied to debt management can also be applied to investing. Use your budget to determine how much you have available for investing, and then arrange for automatic withdrawals into an investment account on your payday. Also consider saving salary increases - if you don't see it, you won't miss it! In fact, using this method for paying off your debt is a way of practicing for when you start saving. In this way, your retirement plans are covered before you start spending in the present.

In determining the make-up of your investment portfolio, take into account considerations of risk, realistic rate of return, liquidity, and time until retirement. The concept of risk return describes the fact that a higher risk investment has potentially higher return, while a lower risk investment typically has a lower return. Stocks and income trusts generally carry higher risk than mortgage securities, which in turn carry higher risk than corporate or government bonds, but also have the potential for higher rates of return. Investing in real estate requires a significant time commitment along with the added risk of investing a significant portion of your savings in one asset. Remember that if you're saving for your retirement, you have plenty of time over which to spread your investments and make a respectable rate of return.

Most financial advisors will recommend diversifying into a variety of investment vehicles. Investing in individual stocks is generally not recommended until savings surpass $50,000, and only after careful consideration. Diversifying your investments means that you are taking a lower risk than if you invest in a single asset.

It's always a good idea to consult with a financial advisor. See the section on financial advisors for more information.

Registered Retirement Savings Plan (RRSP)

Investing in an RRSP is a simple way to contribute towards your future, providing for tax-free growth of your money while reducing your current tax liability. The deadline for 2023 contributions is February 29, 2024. However, it is more beneficial to contribute to your RRSP as early in the year as possible to receive the greatest benefit from tax-free compounding of your money.

If you do not know your RRSP contribution limit you can find out by:

1. Logging on to the CRA website, and going to "My Account". Here you can sign up and receive a password to access your personal tax information including your RRSP contribution limit, account balance, status of your return, history of various tax slips on record with CRA, and it provides an easy means of changing the information that the government has on record. All you need to receive your password is your Social Insurance Number, date of birth, a copy of your prior year tax return, and your current postal code.

2. Calling 1-800-267-6999 for Canada Revenue Agency's ("CRA") calculation of your limit.

Essentially, your RRSP contribution limit is the lesser of 18% of your prior year's earned income and the limit for the year, which is $30,780 for 2023. The 2023 RRSP limit of $30,780 is reached when 2022 earned income reaches $171,000. The maximum RRSP limit will increase in 2024 to $31,560.

Your limit is adjusted for any unused RRSP contribution room from prior years and your pension adjustment for the previous year. Be careful not to over contribute to your RRSP. The penalty for an over contribution is 1% for each month of the over contribution. An over contribution of $2,000 is permitted; however, it cannot be deducted until there is available RRSP contribution room.

One strategy, for some individuals, may be to defer RRSP contributions (or perhaps to make a contribution towards your RRSP but not claim a deduction), until your income increases. For example, the choice between deducting a $2,000 RRSP contribution when your marginal tax rate is 24% versus the following year when it is 34% is the difference between a $480 savings this year and a $680 savings the following year.

The government allows taxpayers to carry forward the unused portion of their RRSP contribution limit indefinitely. As an example:

Year	Contribution limit *	Contribution	Unused contribution limit
2022	$11,201	$6,201	$5,000
2023	$12,298 + $5,000=$17,298	$10,298	$7,000

** The 2022 contribution limit is based on a PGY1 salary income, and the 2023 contribution limit is based on a PGY2 salary income plus the unused contribution limit from the previous year.*

If you expect your income will increase in the near future, it may make sense to take a larger RRSP deduction later, during a year in which your tax rate is higher. Contact a tax consultant if you need assistance in this area or obtain the "RRSPs and Other Registered Plans for Retirement" guide (T4040).

** Deduct on Line 20800 of your tax return*

Tax Free Savings Account (TFSA)

Starting in 2009, all Canadian residents at least 18 years of age and with a valid SIN can open a Tax Free Savings Account. If you qualify and have not yet contributed, the annual limit and cumulative totals for contribution room since 2009 are as follows:

Years	TFSA Annual Limit
2009-2012	$5,000
2013-2014	$5,500
2015	$10,000
2016-2018	$5,500
2019	$6,000
2020	$6,000
2021	$6,000
2022	$6,000
2023	$6,500
2024	$7,000

Any income earned within the account is not taxed. Also you can contribute to the TFSA of your spouse if they have lower income. The funds contributed to a Tax Free Savings Account and any income earned on these funds can be withdrawn at any time in the future. Contribution room for the following year is increased for withdrawals made from the account in the previous year. For more information on Tax Free Savings Account, please visit the CRA website.

Registered Education Savings Plans (RESPs)

If you have a child, RESPs are plans to help you save for your child's education. The lifetime contribution limit is $50,000 with no annual restrictions. Contributions can only be made to the plan during the first 31 calendar years of the plan's existence and the plan cannot exist for more than 35 years. The federal government will pay a 20% Canada Education Savings Grant (CESG) on the first $2,500 of annual contributions made to all eligible RESPs of a qualifying beneficiary, up to and including the year in which your child attains age 17. The maximum total CESG that can be paid in respect of a child is $7,200. Unlike RRSPs, there is no deduction for contributions. However, income earned on plan assets is not taxed until received as education support payments by the student. Eligible investments are the same as those for RRSPs and other deferred income plans. Contact your financial advisor if you need assistance in this area.

First Home Savings Account (FHSA)

Starting in 2023, first-time home buyers in Canada are be able to contribute to a FHSA to save up for their first home. You can contribute up to $8,000 per year, with a lifetime maximum of $40,000. Contributions can be deducted from your income for the year. Withdrawals are not taxable as long as you are using the money to purchase a home as your principal residence. It is proposed that the FHSA may also be used in conjunction with the RRSP Home Buyer's Plan so that withdrawals from both can be made for the same home purchase.

Choosing a Financial Advisor

We cannot overstate how important finding a trusted financial advisor is to your financial wellbeing. A good financial advisor will help you with much more than simply choosing appropriate investments for your money. They will help you identify your long-term goals and help define appropriate strategies to achieve these.

Examples include: retirement planning; education savings for your dependants; or saving up to purchase your dream home. A good advisor should be a sounding board for major decisions and be available to answer your financial questions whenever they come up. Your advisor should be someone that you trust and who takes the time to understand your particular financial situation thoroughly. And finally, a good advisor will explain the importance of diversifying your investments and help come up with an investment plan which takes into account your own goals and level of risk tolerance. They will be there to answer your questions, reassure you and keep you focused on your long-term plan when the market turns sour and your investments don't provide the results you were expecting. Sounds good. Now where do you find someone like this? That's the tough part. Financial advisors come in a variety of different forms and with different names. They may be called financial planners, financial consultants or investment advisors. Many have professional designations such as "certified financial planner (CFP)" or "certified financial analyst (CFA)" or are accountants, lawyers or hold business degrees such as an MBA. While accreditations are good, there is minimal government oversight of financial advisors in Canada (except in Quebec). Hence the credentials are no guarantee of quality or professionalism.

Probably the best way to find a good financial advisor is to ask for referrals from friends, family members or a trusted lawyer or accountant. Ask a potential advisor for the name of clients they have worked with and phone these people to gauge their level of satisfaction with the advisor. Satisfied clients are a good financial advisor's best marketing tool. Stay away from advisors who are pushing products that pay commissions or that want to directly manage all your investments so that they can collect a percentage of these on an annual basis (unless that's what you're looking for). Advisors who categorically recommend you to avoid putting your money into debt repayment or real-estate purchases are probably also hoping to sell you a commissioned product. If an advisor is also selling legal services and wants to do your income tax return, you should wonder what exactly this person's particular area of expertise is. Finally, if an advisor is trying to scare you unnecessarily or trying to make you dependant on them by exaggerating the complexity of your financial situation, you should run away. Other than this, go with your gut as you would in choosing any other professional such as a doctor or lawyer.

Incorporation

Self-employed medical professionals have the ability to incorporate. When you are transitioning into practice, you may want to plan in advance and discuss the details with your tax advisor. Whether incorporation is right for you in the future will depend on your specific situation. Here are some incorporation highlights to consider.

Advantages to Incorporation:

Optimizing income and taxes

A tax benefit exists to the extent that money is not required for personal purposes and can be left inside the corporation. An Ontario corporation generally pays 12.2% of tax on the first $500,000 compared to an individual who pays 53.5% tax on taxable income above $235,675. If the earnings stay within the corporation the difference in tax rates – in this example, an additional 41.3%, can be invested. There is no material difference in tax rates on investment income earned inside the corporation versus personally.

For example, if $100,000 of income would be taxed at 12.2% in the corporation or 53.5% personally, the difference is $41,300. If this money is then invested at 6% for 5 years, the additional money earned in the corporation before tax is about $14,000. This represents the deferral benefit of incorporation.

Keep in mind that as soon as the money is used for personal spending, the higher personal rate of tax is paid.

Potential tax deferral

Another benefit of incorporation is potentially paying a lower personal tax rate when money is taken out of the corporation. This benefit is realized if you receive high income in one year followed by low income the next, or if you foresee yourself in a lower tax bracket once you retire. For example, an unincorporated individual from Ontario making $440,000 of taxable income in a year must pay the highest tax rate of 53.5% on income over $235,675. By using a corporation, the individual may be able to take a $235,675 salary in the first year and draw the remaining funds out in the next year so that personal income in each year remains below the highest personal tax rate bracket.

Income sprinkling

Depending on your situation, another potential advantage would be paying your spouse, child, or parent, a reasonable return for the work that they do for your corporation. There have been significant changes in recent years which restrict the ability to pay dividends to family members not actively involved in the operation of a business. These new rules are complex and should be discussed with your tax advisor in order to understand how they would apply to your specific situation.

Disadvantage to Incorporation:

Increased cost and paperwork

Keep in mind, a corporation has its own costs. In addition, there is paperwork associated with the process of incorporating a company as well as annual corporate filings.

No personal tax credits

Though corporations can claim business expenses similar to those business expenses that can be claimed by a self-employed individual, corporations are not eligible for personal tax credits. However, with proper planning, appropriate remuneration for the owner of the corporation can ensure maximized use of the owner's available personal tax credits

Less tax loss flexibility

As a self-employed individual, if your business experiences operating losses, you could use the loss to reduce other types of personal income in the year the losses occur. In a corporation, however, these losses can only be carried forward (currently 20 years) or back (currently 3 years) to reduce the corporation's income from other years.

Also be mindful that a corporation is not likely useful if you need to use all your earned income for personal or family use, such as paying off school debt, buying a home or paying down a mortgage.

EDUCATION AND EMPLOYMENT

As a resident, with your dual role as a trainee and an employee, there are a number of tax credits and programs that may apply to your situation.

Interest on Student Loans

If your student loans are approved under the Canadian or Provincial student loans programs, you can claim a tax credit for the interest paid on eligible student loans. Your financial institution should issue a receipt showing the interest. The credit must be reported in the year it was paid but may be claimed in the year or the five succeeding taxation years. This credit is not transferable. It is important to note the loan must be received under the Canada Student Loans Act or Student Financial Assistance Act or provincial or territorial government laws similar to these. If you combine or otherwise renegotiate your student loan, the interest you pay no longer qualifies for this tax credit.

** Claim on line 31900 of your tax return*

Tuition, Education and Textbook Amounts

With the education and textbook tax credit as well as the Ontario tuition tax credits previously eliminated, the only tax credit that remains available for 2023 tuition is the Federal Tuition Credit, which is 15% of the tuition amounts as shown on your T2202. Any unused tax credits can be carried forward to be used against future tax amounts payable. Please see the below table for an example on how the federal tuition credit can affect your taxes:

Credit	Federal Credit	Ontario Credit
Total Tuition Paid	$40,000.00	Eliminated as of January 1, 2017
Federal Tuition Credit	$40,000.00 x 15% =	$6,000.00
Example 2023 Tax Bill Before Tuition Credit*		5,300.00
Credits Applied to Taxes	$6,000.00 - $5,300 =	$700.00 of potential tax savings for unused tuition credit

**Tuition tax credits are non-refundable and required to be claimed if available, depending on individual tax circumstances, actual tax savings may be less.*

If you are filing prior returns, you may claim the education and tuition credits based on the rules applicable for those years. Any credits carried forward, are still available for use to reduce tax in the current year. Tuition fees include:

- University registration fee, which you paid to ensure enrolment into your residency program, listed on your T2202 tax credit slip
- Examination fees (MCCQEI, MCCQEII, Principles of Surgery (POS), CFPC and / or RCPSC certification exam)

Ask for tax receipts from the bodies administering any such exams.

Please note that **CaRMs application fees** cannot be claimed as education or tuition amounts. Further information can be found here.

** Claim on line 32300 of your tax return*

Canada Training Credit

The Canada training credit is a refundable credit available for **eligible tuition and other fees** paid for courses taken in 2020 and subsequent taxation years.

Residents who are at least 26 years old, but less than 66, have employment income of more than approximately $11,000, but less than $165,430, are Canadian residents throughout the year, and file their tax return, can accumulate $250 each year towards a Canada Training Credit to a lifetime maximum amount of $5,000.

If the criteria was met for 2020-2022, a limit of $750 is available for 2023. If no amount was claimed for 2020 through 2022, that also carries forward so you may have as much as $1,000 available for the 2023 tax year.

To the extent that tuition and fees that would otherwise be eligible for the existing tuition tax credit are incurred, half the incurred amount, up to the maximum credit limit available to you can be claimed as a refundable credit in the year.

You can still claim the existing tuition tax credit, but your tuition amount will be reduced by the amount of the Canada Training Credit you have claimed. For example: if your tuition amount is $10,000 and you claim $250 for the Canada Training Credit, the final amount of tuition used to calculate the tuition credit will be $9,750 ($10,000-$250).

To learn more about the Canada Training Credit, please visit the CRA's website.

Tax Free RRSP Withdrawals for Education

A withdrawal of funds from an RRSP in order to finance full-time training or education for the taxpayer and their spouse, may be done free of immediate tax. This program is similar in concept to the RRSP Home Buyers' Plan. Withdrawals can be made for four successive calendar years to a maximum of $10,000 for a given calendar year. The maximum aggregate RRSP withdrawal for the four years is $20,000. More than one withdrawal may be made in any given year from any number of specific RRSP accounts, provided the annual and maximum limits are not exceeded. RRSP withdrawals under this plan must be repaid without interest to an RRSP in equal instalments over a period of 10 years commencing no later than 60 days after the fifth year following the withdrawal. To qualify, you must enroll as a full-time student in a qualifying educational program of at least three months duration at an eligible educational institution. Where funds are withdrawn before the enrolment, the enrolment must occur in the year of the withdrawal or in January of the following year. Special rules apply where funds are withdrawn, and the qualifying program is not completed.

Resident Loan Interest Relief Program

The Resident Loan Interest Relief Program (RLIRP) was negotiated in the OMA/MOHLTC Collective Agreement in 2008 on the basis of PARO's recommendation, with support and advocacy by the OMA and Ontario Medical Students' Association that initiatives that make Ontario a great place to do residency will contribute to the MOH's broader health human resources strategy. We have continued to work hard with these stakeholders to achieve improvements to meet the needs of our members.

Under the RLIRP, the Ministry of Health and Long-Term Care (MOHLTC), in partnership with the Ministry of Training, Colleges and Universities, provides eligible residents with relief from making monthly payments (interest and principal) on Canadian government student loans (provincial and federal) during their residency period.

Successful applicants are issued a Medical Resident Loan (MRL) from Ontario that they use to pay off federal and provincial/territorial government student loans. During residency, the MOHLTC pays the interest on the participant's MRL and the participant is not required to make payments on the principal.

In exchange for these benefits, the participant must first agree to practice medicine for five years in Ontario upon completion of residency. The participant must begin repayment of the MRL upon completion or termination of residency.

Who is eligible for RLIRP?

All residents in all years of training in Ontario postgraduate programs funded by the MOHLTC as of July 1, 2009 are eligible, provided that:

- You are not restricted from receiving financial assistance under the Ontario Student Assistance Program (OSAP)
- Your loans are Canadian government student loan(s), i.e. provincial, territorial and/or federal – Bank lines of credit are not eligible
- Your loans are in good standing and not in arrears

Important note:

- Applications can only be submitted between June and September of each year
- Consolidated loans are not currently eligible under this program

Participants in the RLIRP must enter into a return of service agreement with the MOHLTC under which you agree to provide Ontario with five years of physician services directly after you complete your Ontario medical residency.

For more details or to apply click here.

If you have specific questions please contact the Resident Loan Interest Relief Program - Application Centre:

- Telephone: 1-833-435-4151
- From Monday to Friday, between 9:00 a.m. and 5:00 p.m. EST

Scholarships and Bursaries

All amounts received for scholarships, fellowships, and bursaries may be excluded from income if they are received in connection with the student's enrolment at a designated educational institution. The Canada Revenue Agency has previously clarified that post-doctoral fellowships would not qualify for this scholarship exemption.

Employment Expenses

As an employee, there are a number of expenses that you may be able to claim on your income tax return. Your employer should provide you with a certified T2200 form at the end of the taxation year so you can claim employment expenses that are incurred or required during your employment. You do not have to send the T2200 with your tax return, but should keep it on file in case the CRA requests a copy. It is also important for you to be aware the CRA only approves the expenses claimed that are incurred or required by the employment as per their tax deduction guideline. If your expense is reimbursed by the employer, you cannot claim it again. Please note that each individual situation is different - you should consult a tax advisor for advice pertaining to your unique situation.

CMPA Fees

You can deduct the **unreimbursed portion** of the membership fee you paid for CMPA. Under the PARO- CAHO Collective Agreement residents must obtain CMPA coverage as a condition of employment (so that, in the event a resident is involved in a medical-legal issue, CMPA will provide individual representation). Also, as an Ontario doctor, a rebate for a portion of remitted CMPA fees is available. The Ministry of Health and Long-Term Care (MOHLTC), the Canadian Medical Protective Association (CMPA), and the Ontario Medical Association (OMA) work together to ensure continued availability of professional liability protection for Ontario physicians.

For specific details on the MOHLTC MLP (CMPA) Reimbursement Program (including deadlines and eligibility requirements) please visit the website.

Vehicle Expenses

You can deduct vehicle expenses if you are ordinarily required to work away from your principal hospital(s) / clinical site(s) and required to drive your own vehicle.

A deduction is not available if you received a reasonable per kilometer allowance from your employer that was not included in your income. The per kilometer rate provided by the CRA for 2023 is 68 cents per kilometer on the first 5,000 km and 62 cents per kilometer thereafter. It includes all personal vehicle related costs such as gas, maintenance, insurance, license and registration and interest on your car loan. If you own your vehicle a portion of the capital cost can also be taken as a deduction each year. Please be aware that this deduction is capped at a maximum vehicle price for non-zero emission vehicles of $36,000 plus applicable sales taxes, and $61,000 plus applicable sales taxes for eligible zero emission vehicles. These amounts are for vehicles purchased in, or after 2023. The maximum amount of car loan interest you can deduct is $300 per month. Leasing costs are limited to $950 per month (up from $900 in 2022).

Please note, the cost of driving a car to work even when on call cannot be deducted as a vehicle expense. However, you may, for example, use your vehicle for house calls, i.e. traveling to and from the hospital/site to a patient’s home. In this case, the cost of travel should qualify as a valid employment expense.

Travel Expenses

You can deduct taxi and public transit expenses if you are required to travel between locations for work purposes and do not have your own vehicle. You should keep your receipts for these expenses to support your claim.

Parking Expenses

You can deduct a parking expense when you are traveling for work if you are required to pay for parking and do not receive a reimbursement for the amount. Please note, parking for work or the monthly parking pass at your principal hospital(s) / clinical site(s) does **not** usually qualify as an eligible expense. Parking for house calls (as described above) should qualify as a valid employment expense.

Cell Phone

You can only deduct the portion of the cost for the phone if you are required to use a cell phone for your work. Connection and activation charges should not be deducted. You should receive a T2200 completed by your employer stating the requirement to have a cell phone.

We understand that each payroll centre has a different process to confirm or state the type of employment expenses that are required for work. If you do not receive a T2200 at the end of the year, please request one from them.

Union Dues and Professional Fees

You can deduct PARO dues and fees paid to join professional organizations, which are required during your residency training.

**Claim on line 21200 of your tax return*

Canada Employment Amount

The amount of the credit is the lesser of $1,368 and the employment income for the year and is available to anyone with employment income.

** Claim on Line 31260 of your tax return*

TD1 Forms

When you start working at a new place of employment, you should receive a TD1 form to complete. The form should also be completed when there is a change to the credits which you will be claiming. The purpose of the form is to reduce the income tax withholdings on your pay for certain deductions, which you will be claiming on your personal tax return for the year. These items include; child amount, tuition amount, disability amount, spouse or common law partner amount, and amount for an eligible dependant. Please note that you should only be claiming deductions on **one** such form if you have multiple jobs.

Residents with Independent Practice Licences

If you received your Independent Practice License you should obtain a Business and Professional Income Tax Guide and complete form T2125 to report your income and expenses. Sound advice for anyone with mixed income sources is to consult an accountant.

INSURANCE

Insurance will become an ever-increasing part of your life. There is professional liability, home and auto, office and, the most important, life and disability insurance. Here is some information to consider about life and long-term disability insurance.

Life Insurance

Most people need at least some life insurance. Some need more than others and some need different types. There are, however, a number of fundamental truths to consider when looking at life insurance. Before going into detail, the current PARO-CAHO collective bargaining agreement provides all residents with life insurance equal to two times their salary. You should note that this benefit ceases upon completion of your residency.

How Much Life Insurance Do I Need?

Life insurance should provide for the finalizing of debts and last expenses in the event of a premature death and also provide a replacement income for those left behind. While discussion of these issues can seem somewhat morbid, planning for such unexpected events is essential to establishing a secure financial future for you and your family. While an individual with no dependants or debts will not have to arrange for an ongoing income for survivors, they should at least leave something for their next of kin to cover the cost of a funeral and some final expenses. On the other hand, an individual in a relationship with children, a mortgage and a large line of credit should be considering a much larger amount of coverage in the event of a premature death. The planning should consider which debts to pay off, and should provide a nest egg to cover expenses associated with single parenting. Each partner in the relationship might need a different amount of insurance depending on individual income as well as the future plan in the event that their partner dies.

Insurance needs change throughout one's lifetime, so a re-evaluation every few years is prudent. It is conceivable to reach a point where one's life savings reach a level where life insurance is unnecessary. At this point one is said to be "self-insured".

In order to determine just how much life insurance an individual needs, one should consult a financial planner or one of the many financial planning guides available on the market.

You should also keep in mind that you can normally only purchase life insurance when you are healthy so incorporate this into your plans.

What Type of Life Insurance Do I Need?

There are essentially three types of life insurance available: term, permanent and universal life.

Term Insurance

Term insurance provides the most coverage for the least premium. Term insurance covers you in the event you die within a specific term, i.e. Term to Age 65. If the insured dies prior to age 65, the face amount of coverage is payable. If the insured dies on or after age 65, no payments are payable as the coverage expires at 65.

Premiums for term insurance can be level or can increase on certain policy anniversaries. Five and ten year term life policies renewable to age 65, 70, or 75 are common. Finally, term insurance does not normally have any residual or cash value. If you lapse or cancel your coverage, there is nothing payable to you.

This type of coverage is popular with younger individuals as they require the most coverage for the lowest cost. It can be reduced throughout the life of the policy as assets replace obligations. It can be used to cover specific needs such as the period of a mortgage or the dependency period of children. Once the goals have been met, the insurance is no longer necessary.

Permanent Insurance

Permanent life insurance means just that. You cannot outlive it. The benefit will be payable when you die, not if you die within a certain time frame.

Permanent insurance premiums are usually level for the premium paying period. They can be payable for life or paid up in a limited period of time. Permanent life insurance policies can have cash surrender values if you decide to cancel them or they may not. There are many different versions of permanent life insurance but the important thing to remember is that you cannot outlive the benefit.

Why buy permanent life insurance? Individuals may accumulate sizeable estates, which upon death, generate large taxation problems. Rather than dispose of the assets, people will use permanent life insurance to handle the tax bill.

Many people choose to buy a “foundation” of permanent life insurance and then top it up with term insurance to cover those obligations that will eventually disappear.

Universal Life Insurance

Universal life insurance is a product that combines a death benefit with an investment component. It is usually only looked to after one has eliminated debt and maximized RRSP contributions. It is primarily used as a method to defer taxes on additional investment income and should only be entered into after consulting with a professional.

Many financial institutions automatically offer to add life, and sometimes disability insurance to loans, credit lines, mortgages, etc. The insurance purchased is, in many cases, far more expensive than that available in the marketplace. It also only provides enough coverage to indemnify the lender in the event of your death, even if the balance of the debt is diminishing.

And while a lender may require life insurance as part of the security for the loan, it does not have to be their insurance. Some life insurance policies can be assigned for collateral purposes to the bank. In such a case, in the event of your death, the bank gets their outstanding balance out of the proceeds of your insurance, but your beneficiary also gets anything left over.

Long Term Disability Insurance

As you’ve already come to learn in your medical career, making informed choices is key to success. That philosophy will also serve you well when it comes to understanding disability insurance plans – a task peppered with choice. For starters, there are variations on the theme which may have different definitions of “disability” and will also allow you to add various riders to your coverage. Add to that the pressure you’ve probably felt from any number of brokers and organizations wanting you to sign up for their particular plan and you’ve got a challenging situation to sort through. A trusted advisor or an insurance advisor from the OMA can help you make sense of it all.

Income protection is provided in two parts. Should you become totally disabled and unable to perform the duties of your regular occupation, your salary will be continued until the earlier of:

a) The end of your contract year in most cases, (the contract year runs from July 1 to June 30 of the following year); or,

b) 26 weeks

Once salary continuation has ended, you will complete an application for the LTD plan that pays 70% of your basic salary, subject to certain reductions, up to age 65 so long as you remain totally disabled. It is part of the Collective Agreement that all residents be covered under this plan and no medical evidence is ever required to obtain the coverage. Benefits are tax-free and there is also a Cost of Living Benefit, which will increase your monthly benefits by the lesser of 4% or the change in the Consumer Price Index on an annual basis in the event you are disabled for more than a year. If you also carry Ontario Medical Association (OMA) disability insurance coverage, PARO has arranged that it will be payable in addition to any benefits received under your group plan.

During the salary continuation period and the first 12 months of disability, you will be considered to be totally disabled if you are unable to perform all of the duties of your regular occupation. Thereafter, you will be considered to be totally disabled if you cannot perform the duties of any occupation for which you may become suitably fitted by training, education or experience.

Other Insurance

As mentioned earlier, there are many other types of insurance to consider. Home and auto are two that cannot be avoided. Rates vary by company and many alumni and medical associations provide benefits to their members at very competitive rates. Shop around.

FAMILY

Thinking about purchasing your first home or moving for work? Have you decided it's time to start a family? Are you currently raising young children? Here are some resources and tax tips to help you manage various family and life events.

First-Time Home Buyers' Tax Credit

This is a non-refundable tax credit for first time home buyers.. This credit has a potential savings of $1,500 ($10,000 x $15%) in taxes.

** Claim on line 31270 of your tax return*

RRSP Home Buyer's Plan

If you are buying a home in the next year you can withdraw $35,000 from your RRSP to use towards your down payment. If you are married, each spouse can withdraw up to $35,000 from his or her own RRSP. Therefore, a total of $70,000 can be withdrawn. The money you borrow must be returned to the RRSP in annual instalments over a 15-year period, starting with the second year after the withdrawal. The RRSP repayments made can be designated from either contribution you made during the year or from contributions you made during the first 60 days of the following year. For example, if you withdrew funds in 2023 you must begin repayment before March 1, 2026. Generally, first time buyers and their spouses are eligible to make this withdrawal. If you have owned a house in the past you may also qualify but there are very strict criteria that you must meet. Please consult a professional tax advisor to help you determine if you qualify.

Please note, only contributions that have been in your RRSP for more than 90 days can be withdrawn from your RRSP and still taken as a deduction on your tax return. As an example, on January 4, 2023 your RRSP balance was $17,000 and you made a contribution on April 1, 2023 of $5,000. On May 3, 2023 you are only eligible to withdraw $17,000 from your RRSP under the home buyer's plan as the $5,000 contribution was contributed less than 90 days prior to May 3, 2023. There are no immediate tax consequences if the simple Home Buyer's Rules are followed.

Interactive Tools Related to Mortgages

If you want to determine whether or not you will qualify for a home mortgage based on income and expenses, you can click here to find tools to help you calculate mortgage payments.

Moving Preparation

Before moving, don't forget to complete change of address forms:

- Memberships, insurance
- Drivers' license, Health cards
- Employer, Doctor, Dentist
- Magazine subscriptions and other mailings
- Bank accounts, credit cards, and tax office (Canada Revenue Agency)

Moving Expenses

If you move at least 40 kilometers closer to your new place of work and / or study (full-time post-secondary education in Canada), certain moving expenses incurred to move are tax deductible. The eligible moving expenses must be deducted from income earned at the new location. Any excess deductible expenses can be carried forward and are available to deduct in the following year. A T1-M form (Claim for Moving Expenses) is available on the CRA website.

** Deduct on line 21900 of your tax return*

Pregnancy & Parental Leave (Top –Up)

Did you know the PARO–CAHO Agreement provides a supplemental income top-up to residents who are on either pregnancy or parental leave and are in receipt of EI? And the benefit is equivalent to the difference between eighty-four percent (84%) of the resident's regular weekly earnings and the sum of the resident's weekly EI benefits and any other earning. Click here for the detailed information.

Employment Insurance (EI) benefits for new parents

EI benefits vary based on the number of the days you worked and how much you made. For most of residents, the basic rate for calculating EI benefits is 55% of your average insurable weekly earnings, up to a maximum amount. As of January 1, 2024, the maximum yearly insurable earnings amount is $63,200. This means that you can receive a maximum amount of $668 per week. Extended parental leave may also be available. Under this option, you get paid the same total benefit, however over a longer period of time (so less per week). You can find out more information about Employment Insurance maternity and parental benefits by accessing the Government of Canada's website.

Child Care Expenses

If you and your spouse both work, you can deduct the cost of caring for your child(ren) from your income tax. Generally, the deduction for childcare expenses is to be taken by the spouse with the lower income. Maximum yearly deductions are the lesser of two-thirds of earned income and the total of $8,000 per child aged 6 or less at the end of the tax year and $5,000 per child aged 7 to 16. The overriding limitation is the actual amount paid for childcare in the year. There is a maximum deduction of $11,000 available for children who are eligible for the disability credit.

This deduction is also available in the following cases:

(i) to individuals whose spouse is a full-time or part-time student, (ii) to single parents who are studying full- time or part-time, and (iii) to two-parent families where both parents are attending school at the same time on a full-time or part-time basis. Full-time and part-time educational programs have to meet certain specific criteria, defined by CRA as "**A full–time educational program** is one that lasts at least three consecutive weeks and requires that each student in the program spend at least 10 hours per week on courses or work in the program. A **part-time educational program** is one that lasts at least three consecutive weeks and requires that each student in the program spend at least 12 hours per month on courses." Residents should consult with their accountant as to whether this would apply to their situation.

There are some other situations, which may arise that will allow the higher income spouse to claim the childcare expenses. Please consult your accountant for further information. A claim for child care expenses should be made on form T778, which is included in the "Child Care Expenses Guide", published by Canada Revenue Agency and found on their website.

** Deduct on line 214 of your tax return*

Canada Child Benefit

The Canada Child Benefit (CCB) is not taxable, and the amount received is based on family income from your tax returns. The maximum benefit is $7,437 per child under age 6 and to $6,275 per child age 6 through 17 (indexed for inflation), and is received in full when family income is below $34,863. The benefit is reduced based on income. With a single child under age 6, there is no benefit where income exceeds approximately $219,000. The level of income at which the benefit phases out will depend on the number of children under age 6 and aged 6-17.

Adoption Expense

A credit is available for up to $17,131 of expenses. Eligible expenses include: adoption agency fees, court and legal costs, and travel expenses.

** Claim on line 31300 of your tax return*

Canada Caregiver Credit

The Canada Caregiver Credit provides a $7,999 credit for each infirm dependant, defined as an eligible relative with impaired physical or mental functions who is dependent on the caregiver. The dependant is not required to live with the caregiver to claim this credit. The credit is reduced, dollar-for-dollar, for a dependant's 2023 net income in excess of$18,783 and cannot be combined where the caregiver claims spouse or common-law partner or eligible dependant credits on Lines 30300 or 30500. However, a lower Canada Caregiver Credit can be claimed amounting to $2,499 in instances where credits have been claimed for the spouse or common-law partner or eligible dependant. Eligible relatives include you or your spouse's or common-law partner's child or grandchild, parent, grandparent, sibling, uncle or aunt, niece or nephew.

** Claim on line 30400, 30450, 30500 of your tax return*

Wills, Estates, Trust and Power of Attorney

If you have not already done so, you should think about making a will. Click here to find information about things to consider.

Medical Expenses

A medical tax credit can be claimed on qualifying medical expenses paid for you, your spouse, or your dependants. You can only deduct medical expenses over a particular threshold. The threshold is the lower of 3% of your net income or $2,635. Total eligible medical expenses paid within any 12-month period ending in 2023 can be claimed, as long as they were not claimed in 2022. So, it may be optimal to choose a 12- month period in which the greatest amount of eligible medical expenses is incurred. In addition, it is generally more advantageous to have the lower income spouse claim the medical tax credit. Note that, cosmetic surgeries do not qualify as medical expenses unless the procedure is required for medical or reconstructive purposes, and medical services with respect to reproductive technologies for individuals who need medical intervention to conceive a child, even if you do not have a medical condition, are considered eligible expenses for this tax credit. Amounts paid for medical services with respect to reproductive technologies for surrogates will be considered eligible expenses for this tax credit.

** Claim on line 33099 of your tax return*

Charitable Donations

Donations made to registered Canadian charities by you or your spouse are eligible for a tax credit. The credit has a combined federal and provincial effect of approximately 22% on the first $200 and 46% on the remainder of eligible donations up to 75% of the taxpayer's net income for the year. To the extent the individual has taxable income over $235,675, the donation credit is increased to match the federal tax rate at this highest bracket, but only to the lesser of the donations made, or income taxed at that level. Unused donations can be carried forward up to 5 years.

Publicly-listed securities that are donated to a registered charity or other qualified donee (other than a private foundation) do not result in paying tax on any gain on the securities donated. For example, if you own shares of a publicly-listed security which cost $5,000 but are now worth $10,000, you can donate the securities to a registered charity and receive a donation receipt for $10,000 and not pay any tax on the increased value of the shares.

** Claim on line 34900 of your tax return*

Digital News Subscription Tax Credit

You may claim a non-refundable tax credit worth up to $75 related to digital news subscriptions paid in 2023 to qualified Canadian journalism organizations. The amounts paid, up to the maximum of $500 are reported on line 31350 of your return. You can review whether the subscription was paid to a qualified Canadian journalism organization by checking the list here.

** Claim on line 31350 of your tax return*

Province of Residence

You must file a tax return for the province in which you resided at December 31, 2023. Your province of residence is determined by the strength of your residential ties to a particular location. If you are a resident in one province but are receiving self-employment income from a permanent establishment in another province, multiple returns may need to be filed, contact a tax consultant for more information.

Marital Status

If you were married (or living common-law) at any time during the taxation year, and either you or your spouse earned less than $15,000, claiming a "spousal amount" could result in a federal tax savings of up to $2,350.

Additionally, if your spouse has little or no taxable income, you could possibly use some of their tax credits (disability amount, tuition and education, etc.) that would otherwise be unused on their return. Refer to Schedule 2 of your Income Tax Return for information on which non-refundable credits may be transferred from one spouse (or common-law partner) to the other.

GLOSSARY

Any Occupation - disability insurance payments are discontinued if it is determined the insured person can perform any work for which they are qualified by reason of training, education or experience, regardless of their occupation before becoming disabled

Average Tax Rate - the total tax paid as a percentage of gross income

Bond - an investment certificate that pays a guaranteed interest return after a specified period of time

Canada Student Loan (CSL) - a federal program that makes up a portion of student loans

Cost of living Adjustment (COLA) - periodically increases monthly disability insurance payments according to an agreed upon rate, usually the year over year increase in the Consumer Price Index up to a pre-determined maximum rate

CPP - Canada Pension Plan

Dividend - a per share pay out determined by the corporation

EI - Employment Insurance

Gross Income - your total taxable income from all sources before deductions

Income Tax - calculated tax based on taxable income; see Tax Planning section for more information

Income Trust - a unit holding with a defined dividend payout over the term of the trust

Liquidity - the ease with which an investment can be converted into cash. For example, a high-interest savings account with no withdrawal penalties is 100% liquid, while a house is fairly non-liquid Load - a fee charged for investing in a particular mutual fund, which can be at the outset (front-end load), when selling (back-end load), or no cost at all (no-load)

LTD - long-term disability; a group plan given to all PARO members; current rate is 0.839% plus PST of gross Income starting from December 1st 2023

Marginal Tax Rate - the tax rate on an increment of your income

Mutual Fund - a basket of stocks and/or bonds administered by an investment firm, which determines its share value based on its total assets

Provincial Student Loan (PSL) - the provincial component of student loans; Ontario Student Loans (OSL) will primarily be discussed, but the principles can be applied to other provincial loan programs

Prime Rate - the rate charged to a population of customers whose total default rate is less than 1%; in practical terms, it's a base rate that banks use to set interest rates on personal and corporate loans, and in recent times has generally hovered at 2% above the Bank of Canada Target Rate

Personal Line of Credit (PLC) - a type of bank loan where the individual taking the loan can withdraw up to a maximum amount of money on an as-needed basis; (sometimes but not always based on prime rate)

Regular Occupation - a term used in disability insurance that describes the individual's "regular occupation" not otherwise gainfully employed (your choice), you qualify for total disability benefits. Usually to age 65 in individual and association group contracts. Can be limited in True Group contracts

Stock - a representation of investment in a corporation, usually divided into shares; all stocks are a form of equity

Tax Credits - amounts that are refunded after tax is levied; in practice, generally this means that tax savings equal the lowest federal and provincial tax brackets

Tax Deductions - amounts that are subtracted from total income before tax is implied; in practice, this means that tax savings equal the marginal tax rate

True Group policy - insurance given to all individuals in an organization, such as the PARO LTD plan