



## Canadian Investors: Only 18 Days Left to Claim This Tax Credit!

### Description

Almost every single person will need to save and invest their money at some point to prepare for retirement. Investing can be extremely complicated, though. There are a variety of factors that will impact your performance. So, for Canadian investors, it's crucial you do your best to stay up to date with your portfolio.

Once you've begun to invest and your portfolio has been crafted, you'll soon find out there are a lot of things to keep track of. On top of all the investments and decisions you have to make regarding your finances and portfolio, you also have to consider taxes.

Taxes can be even more difficult and confusing than investing. However, putting in some time and effort to understand taxes can go a long way. Not only can you end up saving on taxes sometimes, but you'll definitely avoid making mistakes and overpaying.

By now, most Canadian investors know that the most efficient way to invest is through a registered account like an RRSP or [TFSA](#). These accounts shield Canadian investors from significant taxes that will cost you thousands over time and slow down the compounding effect on your capital.

However, many investors will end up with more savings than is possible to invest only in registered accounts. If you do find yourself investing outside a registered account, it's not all bad news. In fact, while you will be taxed on all the income you make in these unregistered accounts, they can also offer you tax credits as well.

### How to reduce your taxes on capital gains

When you invest outside a registered account, your capital gains will be taxed. However, many Canadian investors don't know that any investments you've lost money on can help offset these capital gains you owe taxes on. All you have to do is sell a stock that you've lost money on by December 29, which is just 18 days away.

However, it gets even better. Net capital losses can be carried back up to three years. So, even if you

never had any losing investments over the last two years, if you had some stocks you lost on this year, such as **Air Canada** ([TSX:AC](#)) in the early stages of the pandemic, that tax loss can offset capital gains you have paid over the past three years.

Furthermore, it can be carried forward indefinitely. This is crucial, and why all Canadian investors should consider selling underperforming investments at the end of the year. It's far better to abandon these losers, get a tax credit for it, take that cash, and invest it in a high-quality company that's outperforming.

Reducing your taxes will play a key role in your long-term success. That's why it's so important you understand these rules and use them to your advantage.

And even if you don't invest outside registered accounts, tax-loss selling can still significantly affect you.

## How tax-loss selling affects all Canadian investors

If you sell an investment for a loss at any time of the year, that loss can be offset against capital gains. However, despite this, most Canadian investors wait until late in the year, when they have a good idea of their taxable income for that year.

So, because most investors wait until the end of the year, there can be heavy selling pressure this time of the year in stocks that have underperformed.

Even if you don't need to worry about tax-loss selling because you invest in a TFSA, if you're looking to buy cheap businesses today, you should know that they could get cheaper over the coming weeks.

That may be one of the reasons Air Canada has hit some resistance in the last few trading days. While many investors see potential in Air Canada now that vaccines are on the way, if it's experiencing heavy selling pressure, the gains may be capped until investors have finished tax-loss selling for the year.

Being aware of these events that can temporarily influence the price of stocks is key. This small pullback in [Air Canada](#) is creating another buying opportunity for those who missed out in November. Because once the selling pressure eases, Air Canada's stock has the potential to soar.

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**Date**

2025/08/22

**Date Created**

2020/12/11

**Author**

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