



Taking Capital Gains or Losses in December? You May Be Too Late

Description

It's the holiday season! While we're shopping for gifts, expressing gratitude, and enjoying festivities with family and friends, saving taxes from capital loss selling is probably the last item on your list of to-do's. Besides, it's good practice to perform capital loss selling throughout the year instead of leaving it until December when you realize you have too much in capital gains.

What is tax-loss selling?

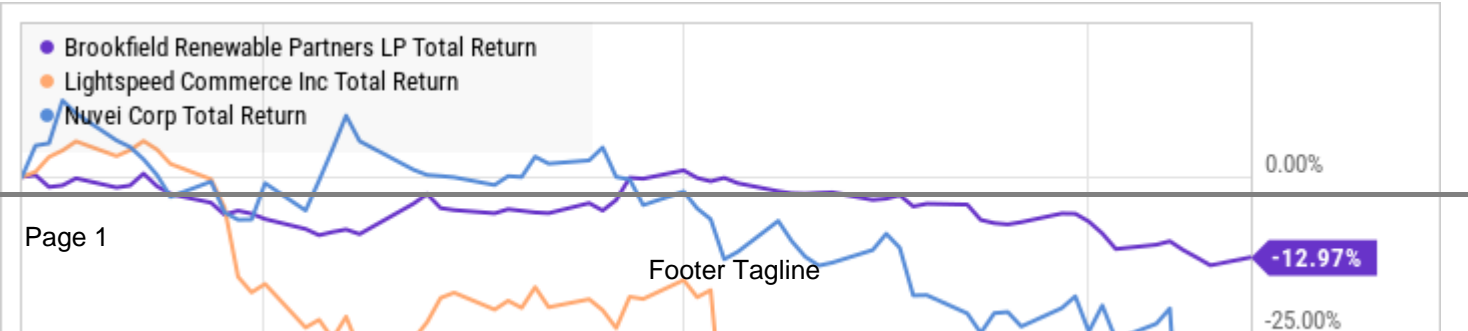
As [RBC](#) explains,

"Tax-loss selling, also known as [tax-loss harvesting](#), is a strategy available to investors who have investments that are trading below their original cost in non-registered accounts. These investments could be stocks, bonds, mutual funds and/or exchange-traded funds (ETFs). The strategy involves selling these investments and using the subsequent capital loss to offset any capital gains incurred that tax year. It's also possible to carry capital losses back into the previous three tax years and/or carry them forward indefinitely."

Also, investors should be aware of the superficial loss rule. Essentially, don't buy or sell the same security within 30 days before or after the settlement date of the sale of your security.

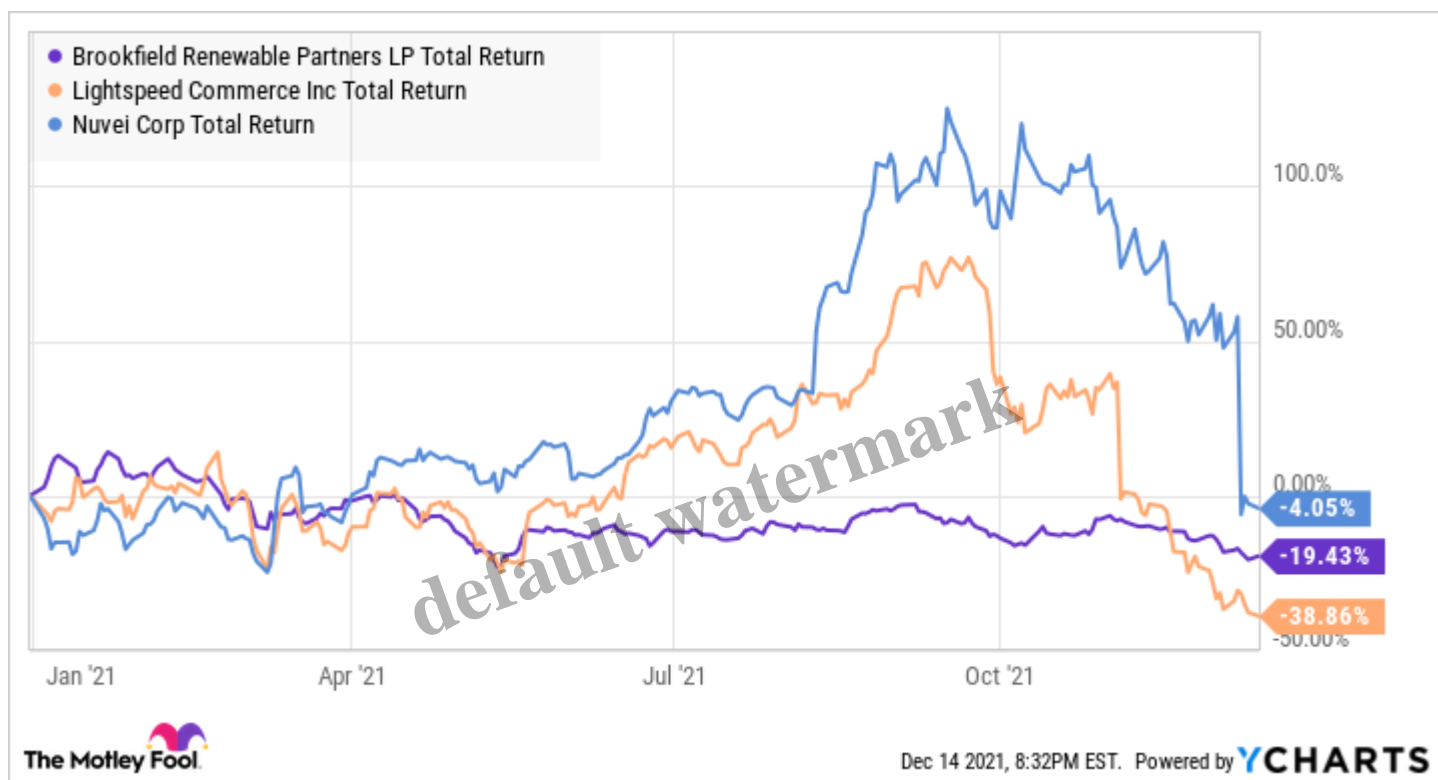
Why it could be a bad idea to take capital losses in December

Many Canadian investors leave tax-loss selling until the end of the year, which is why we often see stocks with weak price action continue to sell off through the end of a year. This could be why stocks of solid businesses like **Brookfield Renewable**, **Lightspeed**, and **Nuvei** continue to experience selling pressure.



Total Return Level data by YCharts

If you were looking to sell Lightspeed or Nuvei, it would have been much more appropriate to do so around September when they were trading at higher valuations. Heck, you probably would be booking capital gains instead. These growth stocks tend to overextend both ways — they can be super expensive or cheap depending on the market sentiment. Right now, after short reports came out one after the other, the growth stocks have tumbled down to earthly heights and up for grabs by courageous souls.



Total Return Level data by YCharts

To be clear, it's a bad idea to take capital losses now for the sake of rushing it in to offset capital gains. It's always better to strive for the best returns possible in any investment. Losers this year could potentially trade much higher in the future, possibly as soon as 2022, because the underlying businesses can become more valuable as they grow.

RBC also brings up an important point. There's no need to rush to sell for a loss because capital losses can be carried back three tax years or carried forward indefinitely.

What about capital gains?

Some investors don't book capital gains because they don't like paying taxes. However, eventually, you will pay a big tax bill when you do book capital gains (unless you hold securities in tax-sheltered accounts like TFSAs and RRSPs). As you advance in your career and your tax bracket climbs higher, you'll be paying more taxes. You could pay much lower taxes (overall) if you book capital gains along the way, especially when you're in a relatively low tax bracket now and expect to be in a higher tax bracket in the future.

Retired investors should also be strategic about taking their capital gains and losses so that their taxable income doesn't spike so much in any given year that they have to pay big tax bills. For example, retirees might want to book more capital gains in their non-registered taxable account in years ahead of their RRSPs turning into RRIFs, at which time they'll need to start making minimum withdrawals.

Everyone's financial and tax situation is different. Consider reducing your taxes for any given year as well as try to plan for paying the least taxes in your lifetime. Discuss with a tax specialist for the best course of action.

CATEGORY

1. Personal Finance

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Personal Finance

Date

2025/07/26

Date Created

2021/12/15

Author

kayng

default watermark