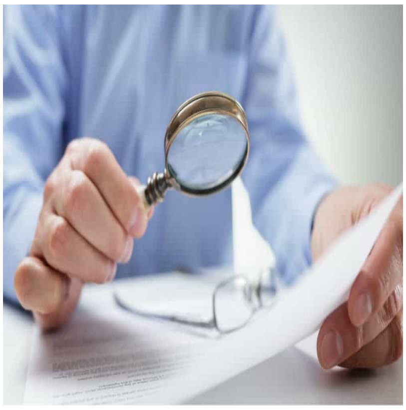

Retirees: 2 Tax Deductions You Might Have Missed This Year

Description

For retirees and other interested individuals, a smart financial plan is not just about growing the capital. It also involves planning to save the maximum amount of money in tax deductions and tax credits. As you have less than 60 days to file your tax returns, it is time to see the tax deductions that you can benefit from this year apart from the RRSP.

Tax deduction on childcare expenses

If you or your spouse has a child that is under 16 and depends on you, you are eligible to file for up to $8,000 tax deductions in the name of childcare. For children under the age of seven, you can get a full tax deduction of $8,000. However, it gets lowers when the child is between seven and 16 years. You can claim for up to $5,000 for children in this age bracket.

These are the maximum amounts. Otherwise, you can claim up to two-thirds of your annual income in tax-deductible childcare expenses.

Tax deduction on moving expenses

If you are relocating from one city to the other for a post-retirement gig, you can also claim for the tax deduction on moving expenses. Tax-deductible moving expenses cover a lot of costs. From vehicle/accommodation expenses during the moving to the cost of utility disconnection and hookups and title transfer cost of the new home, you can file a claim for tax deductions on all these overheads.

Invest tax savings in a reliable stock

As mentioned earlier, a good retirement plan entails both tax savings and smart investments. Therefore, it is a good idea to funnel the tax savings into an investment. But as a retiree, you need to exercise caution and should invest in a venture that doesn't involve too much risk.

Canadian National Railway (TSX:CNR)(NYSE:CNI) can prove to be an ideal stock option for those who want to keep their initial investments safe. Like utility companies, CNR also has a natural monopoly over rail transportation. No matter how much air and road shipping grow, rail will always be the backbone of goods transportation.

The CNR ships $250 billion worth of goods every year, and this includes grains, crude oil, and everything in between. The CNR stock is paying the dividend yield of 2.01%, which is not bad given that the stock has been maintaining its price around $80 for the last few years.

The five-year stock growth of 36.01% also indicates that putting the CNR stock in your RRSP could help you raise your initial investment. If you had invested $10,000 in CNR 10 years ago, it would have been grown into over $45,000, even without dividend re-investments.

There is only a single multiple difference between the forward and trailing P/E ratios of the CNR stock, suggesting that it has been consistent with its performance among the investors.

Conclusion

Retirees can also benefit from tax deductions for childcare and moving expenses in some instances. You should see if you are eligible for these tax deductions before filing your returns. Also, don’t forget to invest your tax savings in something that is low risk and promises dividends.

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