

## **Tax Tip**

**Week of July August 1, 2011**

### **Family Budgeting**

If the spouses can agree, family budgeting can have a significant impact on the family's total tax bill. Families should use the lower income spouse's funds to purchase investments and the other spouse should pay the family's expenses. In order to implement this strategy, the spouses must be in different tax brackets. Assume the husband's annual income is \$100,000 and the other spouse works part time and her take home pay is \$10,000. If the husband currently invests \$10,000 per annum from his salary and the wife uses her part time earnings for household and personal expenditures, an income splitting opportunity exists. The lower income spouse could invest the \$10,000 from her earnings and the higher income spouse would pay for those expenditures that were formerly made by his wife. The strategy would result in the investments being owned by the wife and taxed at her lower marginal rate.