

# Should I Defer Property Taxes?

The Canadian real estate market has been red hot as of late. As property values rise, often so do city assessments which can mean more property taxes. As our grandfather used to say, "Sometimes that's the way it goes."

With property taxes due soon, we were recently asked the question, "Should I defer my property taxes?" As often is the case, the answer is, "It depends."

As an overview, the province of B.C. allows homeowners to defer their property taxes if the following criteria are met:

1. You are a Canadian Citizen or Permanent Resident (as per the Government of Canada Definition);
2. You have lived in B.C. for at least one year prior to applying for property tax deferral;
3. You currently live in the home for which you are paying property taxes;
4. You are 55 years of age or older OR a surviving spouse OR a person with disabilities; and
5. You have a minimum of 25% equity in your home based on B.C. assessment values.

If you meet all these criteria and application deadlines (refer to gov.bc.ca for full details), you can defer property taxes on your home. Interest is charged at a nominal rate that is set every six months by the Minister of Finance. As at June 1, 2022 it was only 0.45%.

## Why defer?

1. **You are tight on cash flow:** Many seniors have limited income and deferring taxes can alleviate financial pressure and allow you to redirect funds elsewhere.
2. **You are depleting retirement assets** quicker than anticipated to pay property taxes. By deferring taxes, this can stretch out the potential life of a retirement portfolio.
3. **Better returns from CPP:** If you needed to draw on the Canada Pension Plan early to cover taxes, the reduction is 7.2% per year versus the cost of deferring taxes currently at 0.45%. Based on this scenario, it could make sense to defer taxes.
4. **You want to invest:** Deferring taxes and moving these funds into a Tax Free Savings Account may generate greater returns and avoids probate and income taxes. Technically this is a form of borrowing to invest, which is considered higher risk and would need to make sense for your personal situation.  
Another example: Using the city's online property tax estimator (kamloops.ca), the average assessed home value is \$631,670 and average property tax is \$3,750 before grants. Let's say a 65-year-old male non-smoker takes this and applies for a \$200,000 term life insurance policy. A quick internet search using winquote.net offers an approximate annual cost of \$3,432. He could use this

freed up cash to pay the cost of the policy. Assuming he lives to age 85, a tax-free payout of \$200,000 could go to his wife, children, etc. This results in an after-tax return of \$131,360.

5. **You want access to some equity in your home** without selling or applying for a line of credit. Keep in mind you are freeing up your existing cash, and not getting any extra money.

## Why not defer?

1. **You are debt-adverse:** The province will register a lien on your home and ensure they get paid back down the road. Some are ok with this, others are not.
2. **You have ample cash flow and don't plan on spending it:** Why defer taxes only to let it sit in your bank account earning zilch or close to it? Arguably if you are deferring taxes, you should use it in some regard.
3. **Keep things simple.** Not just for yourself, but the extra paperwork, time and effort an executor could need to deal with this may be worth taking into consideration.
4. **Leave more for your estate:** By paying taxes annually, you keep the value of your residence intact, which could benefit your estate and heirs.

These are just a few quick points to both sides of the argument. As always, the best course of action will depend on your own circumstances.

Until next time...Invest Well. Live Well.  
Written by Keith



**Eric Davis**  
Senior Portfolio Manager  
and Senior Investment Advisor  
eric.davis@td.com  
250-314-5120

**Keith Davis**  
Associate Investment Advisor  
keith.davis@td.com  
250-314-5124

TD Wealth Private Investment Advice

daviswealth.ca

The views expressed are those of Eric Davis, Senior Portfolio Manager and Senior Investment Advisor, and Keith Davis, Associate Investment Advisor, TD Wealth Private Investment Advice, as of June 15<sup>th</sup>, 2022, and are subject to change based on market and other conditions. Davis Wealth Management Team is part of TD Wealth Private Investment Advice, a division of TD Waterhouse Canada Inc. which is a subsidiary of The Toronto-Dominion Bank.  
For more information: 250-314-5124 or Keith.davis@td.com.

