Investment Expenses

One way to maximize the return on your investments is to make sure you are claiming all the costs that you are allowed against the investment income. There are some costs that are deductible against your investment income. Below is a list of items that can be claimed against investment income.

Management Fees / Investment Counsel fees

(Note: Only for non-registered accounts)

- Management fees paid to a discretionary investment manager can be claimed against investment income.

- This cost must be directly charged to the investor and cannot be embedded within the performance of the underlying investment i.e. mutual fund management expense ratio or MER.

Accounting Fees for recording of investment income

- This includes any bookkeeping or recordkeeping expenses that you spend to keep accurate records of your investment income.

- This expense does not include the preparation of your income tax return. If you paid your accountant $300 to track your investments in the year and $200 to prepare your income tax return, you would only be able to claim the $300.

Interest Expense

- Interest expenses made on an investment with the intention of earning a regular income (interest, dividend or rental income) from the investment can be deducted against the income. The interest expense must be reasonable given the expected investment income from the investment.

- Interest expense cannot be deducted when the only expectation of the investment is a capital gain. If an investment is going to pay a small interest payment or dividend, it will still be deductible. As a planning point, it is best to purchase investments where 100% of the expected return is capital appreciation with cash and purchase any investments with an income with debt to maintain the deduction of the interest expense