**Interest Income**

**Tax Tips**

Interest income is taxed at the full marginal rate. Investments taxed at a higher rate should be kept in a registered account such as a RRSP or a TFSA. If there are no contribution room left in your RRSP or TFSA, consider investing money where you will earn a dividend income which may attract a lower tax rate due to the dividend tax credit. Profits from sale of capital property (such as stock portfolio) is entitled to preferential tax treatment as well since only 50% of the gain will be taxed by the government.

Talk to a Canada Revenue Agency (CRA) agent to find out how much contribution room you have for RRSP and TFSA. Set up a registered account with your financial advisor and ensure your investment does not exceed the cumulative contribution limit otherwise you may be subject to a penalty.

**Definition**

Interest income is the income earned for setting aside your money in vehicles such as bank deposits, loans, bonds, debentures, promissory notes, treasury bills (T-Bills), guaranteed investment certificate (GIC), and other similar instruments.