



## Capital Gains vs. Capital Losses: What You Need to Know

When it comes to investing, understanding **capital gains** and **capital losses** is key to managing your taxes and maximizing your financial growth. Whether you're selling stocks, real estate, or other assets, knowing how these two work can make a big difference at tax time.

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### What Are Capital Gains?

A **capital gain** occurs when you sell an investment or asset for more than you paid for it.

For example:

If you bought shares for **\$5,000** and sold them for **\$8,000**, your capital gain is **\$3,000**.

### Types of Capital Gains:

- **Short-Term Capital Gains:** Earned from selling an asset you've held for **less than a year**.
- **Long-Term Capital Gains:** Earned from selling an asset held for **more than a year** — and usually taxed at a lower rate.

### Tax Tip:

In Canada, only **50% of your capital gains** are taxable. That means if you earned a \$3,000 gain, you'll pay tax on **\$1,500** of it.

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### What Are Capital Losses?

A **capital loss** happens when you sell an investment for **less than you paid** for it.

For example:

If you bought shares for **\$5,000** and sold them for **\$3,000**, you have a **\$2,000 capital loss**.

### Why Capital Losses Matter:

- You can **use capital losses to offset capital gains**, reducing your taxable income.
  - If your losses exceed your gains, you can **carry them back up to three years** or **carry them forward indefinitely** to offset future gains.
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## How Capital Gains and Losses Work Together

Here's a simple example:

Description	Amount
Capital Gain	\$5,000
Capital Loss	\$2,000
<b>Taxable Gain (50%)</b>	<b><math>(\\$5,000 - \\$2,000) \times 50\% = \\$1,500</math></b>

So instead of paying taxes on \$2,500, you only pay on \$1,500 — a clear tax advantage.

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## Common Assets That Trigger Capital Gains or Losses

- **Stocks and Bonds**
  - **Real Estate (other than your principal residence)**
  - **Mutual Funds and ETFs**
  - **Cryptocurrency**
  - **Business or Investment Property**
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## Tips for Managing Capital Gains and Losses

1. **Keep Detailed Records** – Track purchase dates, prices, and selling details for each investment.
  2. **Use Losses Strategically** – Plan your sales to offset high capital gains in profitable years.
  3. **Consider the Timing** – Selling after one year could qualify for lower tax rates.
  4. **Consult a Professional** – A tax advisor or accountant can help you maximize deductions and stay compliant.
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## Final Thoughts

Capital gains and losses are part of every investor's journey. By understanding how they work, you can make smarter investment decisions, lower your taxes, and grow your wealth more effectively.

When in doubt, **seek professional tax advice** to ensure you're reporting correctly and taking full advantage of your available deductions.

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### Need help managing your investments or filing taxes?

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