

## QUARTERLY NEWSLETTER

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### DID YOU KNOW?

(1) Many at retirement find themselves at a higher marginal tax rate which means that they are paying more income tax on the money withdrawn from RRSPs (RRIFs) than they received as a tax deduction at the time of deposit. There might be a better way to save for retirement depending upon one's personal situation.

(2) Disability and Critical Illness Insurance plans can be structured to refund premiums to you if no claims are made. Pays you if you contract a disability or critical illness, when you really need it, and refunds a majority of the premium cost if you make no claims, starting in the 10<sup>th</sup> year.

(3) It seems that more and more of the elderly are requiring long term care. We might be living longer, but not necessarily better. Consequently, the adult children of this group are being asked to be more involved with their parents' care through Parental Support rules. The cost of such care can be prohibitive and can create quite a financial strain on the spouse of the elderly or the children. Long Term Care Insurance was designed to look after the costs of such care and should form part of one's financial planning if elderly parents are still alive and healthy, particularly if they are of somewhat limited means and to ensure that you will not be a burden on your children.

**Look For in Our Next Report:**  
Health & Welfare Trusts for Critical Illness Insurance – a sensible way of rewarding key personnel with positive tax implications

### CHARITABLE GIFT GIVING

Most charitable gifts are deductible against income in the year they are made as noted on our annual tax returns. You can claim up to 75% of net income as a deducted amount in any one year. Many are not aware that you can leave substantially more to your favourite charity through the use of **Bequests via a Will, Annuities or Life Insurance policies.**

#### Highlights

- 1) **Bequests** are a very tax-effective way to make a gift to charity. Your estate may claim charitable donations in the year of death equal to 100% of your net income (75% for living donors). Unused charitable donations can be carried back to the previous tax year.
- 2) **Annuities** are used by living donors to provide a significant gift while providing personal income in one's lifetime. Income levels are not reduced and one receives a donation receipt to reduce taxes in the year of the original set-up. There is a very small income tax consequence to the income from the annuity.
- 3) **Life Insurance** permits individuals to make significant future gifts to benefit a charity, while enjoying current and/or future tax savings. It is an economical way to give a larger (more meaningful) and more lasting gift. For example, leave \$100,000 to a favourite charity at a fraction of the cost. You can appoint the charity as the beneficiary of an existing plan where the proceeds from the policy will be directed to the charity at the time of your death – your estate would receive the tax benefit. You can or purchase a new policy where the charity is the owner and beneficiary of the policy but you are the payer. The premiums become tax deductible as charitable donations.

Please contact Ron Clarke, CFP, CLU at [ron@baicorp.ca](mailto:ron@baicorp.ca) for further information.

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### INDIVIDUAL PENSION PLANS (IPP)

An **IPP** is a defined benefit pension plan designed for the Owners/Senior Executive and is registered with the CRA. Because it follows specific pension formula where the contribution limits are higher than RRSP contribution limits, the retirement income is generally greater than the income provided by RRSPs. **IPPs** are custom designed and take into account each participant's particular needs and personal situation.

#### Highlights

- 1) High income individuals (\$100,000 +) over age 45 should benefit the most
- 2) Efficient way to recruit and retain valued key personnel
- 3) Amount of retirement income is known
- 4) Creditor protected
- 5) Funded and tax deductible by the company
- 6) Assets owned by owner/employee at retirement
- 7) Allows for past service deposits
- 8) Plan surpluses belong to plan member
- 9) Plan can operate past age 69 under certain circumstances
- 10) Can transfer assets to IPP thereby reducing shareholder's equity to make a potential sale more attractive to a purchaser (IPP outside of asset base)

Please contact Ron Clarke, CFP, CLU [ron@baicorp.ca](mailto:ron@baicorp.ca) for additional information