



RRSP/RRIF Tax Converter™

Taxes Payable Become Generous Charitable Gifts

Written by: Mark Halpern, CFP, TEP, MFA-P
 Certified Financial Planner, Trust & Estate Practitioner,
 Master Financial Advisor – Philanthropy

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Wealthy clients usually have large sums in registered accounts, money they don't need to pay bills. RRSP and RRIF funds are taxed at over 50% in Ontario.

A \$2 million RRSP/RRIF is really worth only \$920,000 to heirs. Consider donating all or part of your RRSP/RRIF to your own charitable fund and/or other charities and nothing to the tax department (CRA).

Overview

Married business owner, age 70.

\$2 million of RRSP.

What We Did

1. Withdrawals (or disposition at death) are taxed at 53.5%. Donations to charities generate 50% tax savings. Net out-of-pocket cost to donate a \$2 million RRSP intact is 3.5%.
2. Normally, withdrawals of registered funds are subject to withholding tax of 30%. We arranged for CRA to waive withholding taxes at source. Financial institution transferred entire \$2 million to the Donor Advised Fund (DAF) we set up for him.
3. DAF now has \$2 million which can be distributed to any registered charities in Canada.
4. We structured a Joint and Last to Die (JLTD) 10-pay Life Insurance policy owned and paid for by the DAF, premium \$100K/year. Death benefit at life expectancy, age 85, \$3.5 million

Results

Client converted \$2 million of taxable RRSP funds (worth only \$920,000 to his family), creating a charitable family legacy of \$4.5 million.

Cash surrender value (CSV) and dividends from insurance policy can be used during donor's lifetime to make additional tax-free gifts to charity.

CSV @ year 10 = \$807K. CSV @ age 85 = \$2.8 million.