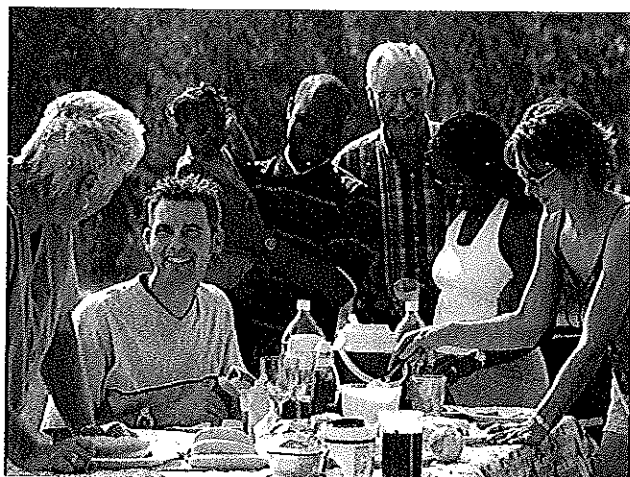


Retirement Funds for Saving and Giving



COMPARING RRSPs AND OTHER INVESTMENTS

Compare, for example, growth of funds in an RRSP and in a fully-taxable investment. The combined marginal tax rate is assumed to be 50 percent.

Investment	Year 1	Year 10	Year 20
\$10,000 in RRSP	\$10,000	\$25,938	\$67,274
\$5,000 in taxable investment	\$ 5,000	\$ 8,144	\$13,266

(Half of the \$10,000 would have been consumed by taxes.)

RRSP funds are taxable when withdrawn, but even if they were withdrawn in a lump sum at the end of twenty years and taxed at 50 percent, the after-tax dollars (\$33,637) would still be considerably more than the accumulations in an investment where earnings have been taxed along the way.

Because the tax sheltering is so attractive and because sizeable contributions can be made (currently up to \$16,500 per year), billions of dollars are invested in RRSPs.

Some individuals start taking distributions from their pension plans immediately upon retirement. Others, not needing the money now, defer payments as long as possible. They like to continue taking advantage of the income tax deferral growth accorded

such funds. Further, they may defer payments because they regard a pension account as a financial reserve, to be tapped only when needed.

Distributions, however, cannot be delayed beyond age 69. By that time you must elect either a retirement annuity or an RRIF (Registered Retirement Income Fund.) The annuity offers the advantages of guaranteed payments and freedom from worry about how funds should be invested. The RRIF, however, is more flexible. You can control how the money is invested, and you can withdraw any amount each year so long as you withdraw at least the minimum. Because of this flexibility more people convert their RRSPs to RRIFs than to retirement annuities.

CHARITABLE GIFTS WITH RETIREMENT FUNDS

If a spouse survives you, he or she would ordinarily be the beneficiary of your retirement funds. If you had an RRSP, your surviving spouse could keep the funds in a tax-deferred plan. If you had already converted to a RRIF, your surviving spouse could continue to receive payments, and they would be taxed only as received. If you had opted for a joint-and-survivor annuity for you and your spouse, he or she will receive payments for the balance of his or her life. In the event underage children survive you, the retirement funds can be rolled tax-free into an annuity paying them installments until age 18. If the dependant is disabled, a tax-free rollover to an RRSP, annuity or RRIF is permitted.

Possibly, however, you will not be survived by a spouse and have already made arrangements for the children. In that case, leftover retirement funds make an excellent charitable gift because the charitable tax credit will offset the tax on the distribution. Leaving the funds to a beneficiary, who is not a spouse or dependant child or grandchild, generally would cause the full value of the funds to be taxed in the year of your death, but with the charitable gift you preserve the funds intact for a church or charity whose work you want to support.

The recommended procedure is to designate the church or charity as beneficiary of all or a portion of your RRSP and RRIF funds.

Example: Barbara T, a single woman, dies at age 75 and leaves \$30,000 of her RRIF funds to the Anglican Foundation of Canada.

<i>Tax on RRIF funds (48% combined rate)</i>	<i>\$14,400</i>
<i>Tax credit (Combined credit is 48% of gift and entire bequest is creditable.)</i>	<i>\$14,400</i>
<i>Net tax on distribution</i>	<i>0</i>

The tax credit will entirely offset the tax on the distributions. That is because the creditable amount of a charitable bequest is 100 percent of net income. Thus, if you choose to leave your leftover retirement funds for church or charity, no part of them will be consumed by taxation.



RETIREMENT FUNDS AND GIVING

A charitable gift is one method of assuring that all or most of the funds you spent a lifetime accumulating are used for the purposes you choose.

Living is giving.

*We live life best as we give
our strengths, gifts, and competencies
in the service of God's mission.*

We are called to serve, not survive.

*Our giving makes a difference in our
families, our work our community or*

world, and our church."

— Dr. Kennon L. Callahan



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