

## *Pension Shortfall Funding*

# RRSP *Wrap*<sup>TM</sup>

### *Ending Pension Discrimination*

Private Corporation

RCA for Mr. Private Owner

client of

Mr. Senior Advisor

ABC Financial

Retirement Compensation Arrangement  
Trust Services Provided by BMO Trust Company

Retirement Compensation Arrangements (RCAs) are defined under subsection 248(1) of the *Income Tax Act*, which allows **100 per cent tax deductible** corporate dollars to be contributed to an RCA, on behalf of the private business owner and/or key employee. **No tax** is paid by the owner/employee until benefits are received at retirement.

## Current Situation

Pension consultants today suggest that an adequate pension should be approximately 70 per cent of pre-retirement income. RRSP, Registered Pension Plan and Individual Pension Plan contribution levels were originally based on the premise that an annual contribution of 18 per cent of salary would provide a business owner with an adequate pension.

If you earn more than \$125,000 annually, you can expect to experience 'pension discrimination' because of the cap on contributions. In other words, your pension benefits will be significantly lower than the acceptable standard of 70 per cent of pre-retirement income.

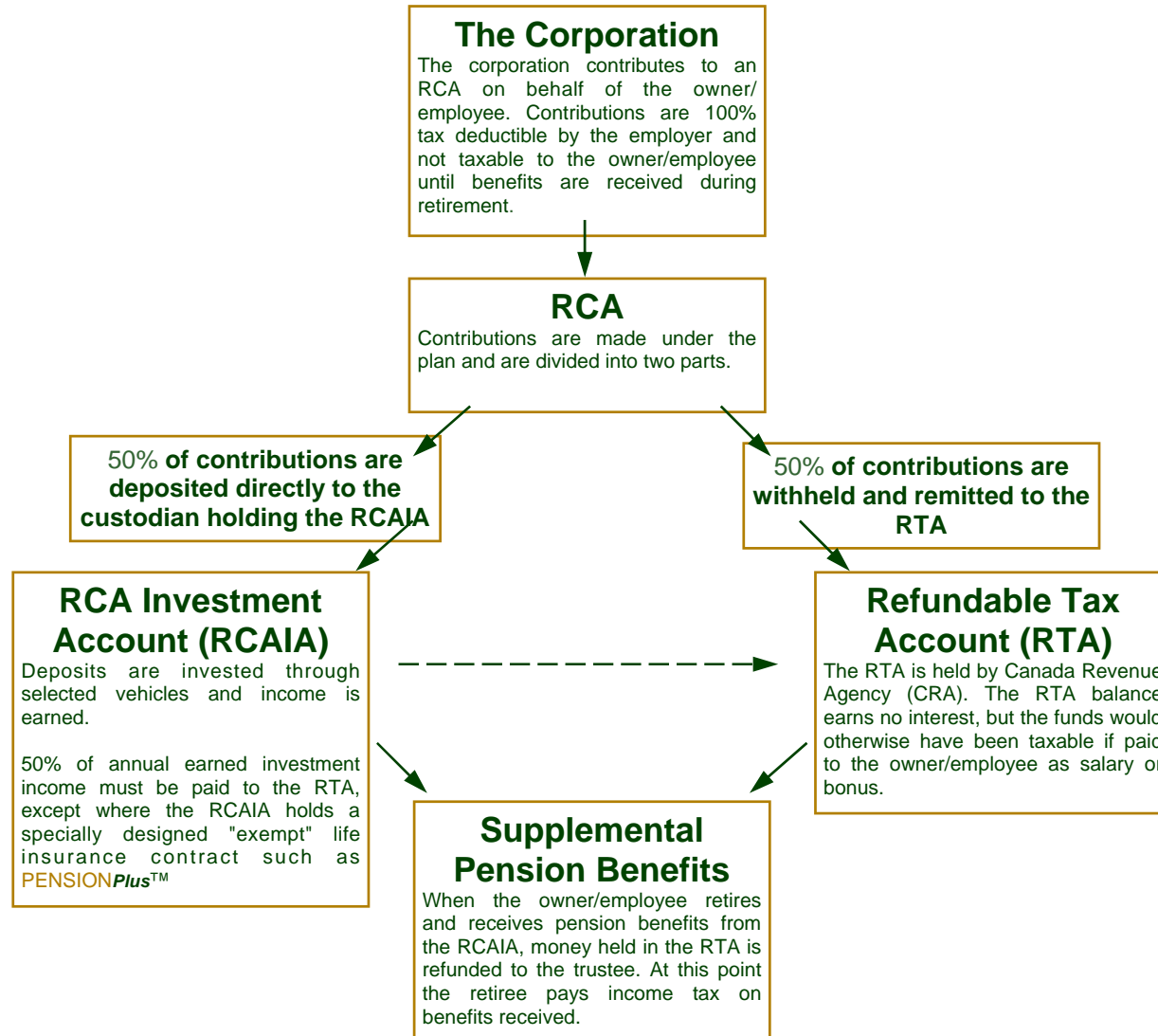
**Retirement Compensation Funding**, RCA specialists, provide the **RRSP *Wrap*™**, that 'wraps' an RCA around the RRSP and/or other registered pension plans to fund the difference between an appropriate pension and income from registered pension or savings plans.

## Highlights

- Ends RRSP ceiling discrimination
- Allows the 'buy-back' of past service for those with limited contributions
- Places business owners and key employees on an equal pension footing with other executives
- Secures funding in the year profits are earned thereby minimizing future risk regarding funding
- Provides a disciplined and orderly way to fund an adequate retirement income
- Assets in an RCA are excluded from the estate and are not subject to probate fees when a beneficiary is named
- Assets are held in a trust and may be protected from creditors
- No loan arrangement required

# Pension Shortfall Funding

## How it Works



## Entitlement Calculations

Contributions to an RCA should not exceed what is required to fund the entitlement under the generally accepted guidelines for pensions, which are:

**"a normal level of benefits would be the same benefit provided under a registered pension plan without regard to the Revenue Canada maximum. This would be 2% x years of service x final five-year average earnings or about 70% of pre-retirement income for an employee with 35 years of service." (CRA Roundtable discussion, 1998).**

Failure to follow the generally accepted guidelines increases the risk that CRA could deem the RCA not to be an RCA, but rather a Salary Deferral Arrangement (SDA) with substantial tax and penalties payable.

To ensure the RCA qualifies under CRA's Generally Accepted Guidelines, an Integrated Final Earnings calculation, based on data you provide, determines the entitlement from the RCA and the resulting maximum level of funding.

This entitlement calculation must be reviewed and recalculated periodically as your circumstances change. For example, your salary, bonus, RRSP and RCA investment performance may vary considerably from the initial assumptions used.

## Conventional Non-Insurance RCA

This illustration is based on the information gathered from the Request for Illustration you provided and contains the following:

- Input data provided for your confirmation
- Integrated final earnings calculation to determine your annual pension entitlement from the RCA
- Illustration showing the maximum annual level corporate contribution to the RCA
- Illustration showing 2/3 survivor benefit with a reduced primary benefit
- Illustration showing the maximum past service contribution in a single lump sum

The illustrations generated rely on the input data, including assumptions made regarding factors such as interest rates. These are not guaranteed and actual experience may vary.

The Corporation must acknowledge, and confirm the input data and your desired contribution or entitlement levels.

# Input Data

<i>Prepared for</i>	<b>Private Corporation</b>
	<b>RCA for Mr. Private Owner</b>
<i>Proposal Number</i>	<b>TBD</b>
<i>Company</i>	<b>Private Corporation</b>
<i>Address</i>	<b>24 Success Drive</b>
<i>City, Province</i>	<b>Toronto, ON</b>
<i>Postal Code</i>	<b>M6C 2H3</b>
<i>Sex</i>	<b>Male</b>
<i>Smoking Status</i>	<b>Non-Smoker</b>
<i>Date of Birth</i>	<b>February 21, 1964</b>
<i>Contributions Begin at Age</i>	<b>45</b>
<i>Retirement Age</i>	<b>65</b>
<i>Current Earnings</i>	<b>\$200,000</b>
<i>Salary Index</i>	<b>5%</b>
<i>Past Years of Service</i>	<b>15</b>
<i>Future Years of Service</i>	<b>20</b>
<i>Required Pension Percentage</i>	<b>70% of final average 5 yrs</b> <small>(2% x years of service)</small>
<i>Benefits to Age</i>	<b>82</b>
<i>RCAIA Earning Rate (net of MERs)</i>	<b>5.5%</b>
<i>Current RRSP Balance</i>	<b>\$150,000</b>
<i>RRSP Earning Rate (net of MERs)</i>	<b>5.5%</b>
<i>Spousal Date of Birth</i>	<b>February 21, 1968</b>

**Mr. Senior Advisor**  
**ABC Financial**  
**390 Bay Street, Toronto, ON**

# Integrated Final Earnings Calculation

Entitlement Calculation: TBD

Prepared for	Private Corporation	MALE 45, NON-SMOKER
	RCA for Mr. Private Owner	
Final 5 yr average salary	\$459,496	
Pension Entitlement	70% of Final 5 year eligible earnings	1
Total Desired Pension	\$321,647	2
Projected Funded Pension from RRSPs	\$104,853	
Unfunded Pension Entitlement	\$216,794	3

YEAR	AGE	EARNINGS INDEXED AT 5%	CURRENT RRSP BALANCE	FUTURE RRSP CONTRIB	RRSP BALANCE 5.5% (NET)	PROJECTED FUNDED PENSION	RCA ENTITLEMENT
1	2009	45	200,000	150,000	180,405	0	0
2	2010	46	210,000	21,000	213,537	0	0
3	2011	47	220,500	22,000	248,492	0	0
4	2012	48	231,525	22,000	285,369	0	0
5	2013	49	243,101	22,000	324,274	0	0
6	2014	50	255,256	22,000	365,319	0	0
7	2015	51	268,019	22,000	408,622	0	0
8	2016	52	281,420	22,000	454,306	0	0
9	2017	53	295,491	22,000	502,503	0	0
10	2018	54	310,266	22,000	553,350	0	0
11	2019	55	325,779	22,000	606,995	0	0
12	2020	56	342,068	22,000	663,589	0	0
13	2021	57	359,171	22,000	723,297	0	0
14	2022	58	377,130	22,000	786,288	0	0
15	2023	59	395,986	22,000	852,744	0	0
16	2024	60	415,786	22,000	922,855	0	0
17	2025	61	436,575	22,000	996,822	0	0
18	2026	62	458,404	22,000	1,074,857	0	0
19	2027	63	481,324	22,000	1,157,184	0	0
20	2028	64	505,390	22,000	1,244,040	0	0
21	2029	65	0	0	1,201,842	104,853	216,794
22	2030	66	0	0	1,157,323	104,853	221,130
23	2031	67	0	0	1,110,356	104,853	225,552
24	2032	68	0	0	1,060,806	104,853	230,063
25	2033	69	0	0	1,008,530	104,853	234,665
26	2034	70	0	0	953,380	104,853	239,358
27	2035	71	0	0	895,195	104,853	244,145
28	2036	72	0	0	833,811	104,853	249,028
29	2037	73	0	0	769,051	104,853	254,009
30	2038	74	0	0	700,729	104,853	259,089
31	2039	75	0	0	628,649	104,853	264,271
32	2040	76	0	0	552,605	104,853	269,556
33	2041	77	0	0	472,378	104,853	274,947
34	2042	78	0	0	387,739	104,853	280,446
35	2043	79	0	0	298,445	104,853	286,055
36	2044	80	0	0	204,240	104,853	291,776
37	2045	81	0	0	104,853	104,853	297,612
38	2046	82	0	0	0	104,853	303,564

- Years of service x 2%. Maximum 70% of final five-year average eligible earnings.
- Total Desired Pension is based on final five-year average earnings x pension entitlement. Three year average or best five of last ten available on special request
- Total Desired Pension minus Projected Funded Pension from RRSP, MPPP, and/or IPP. Benefit is indexed by a moderate inflation assumption of 2%.
- The salary index rate reflects anticipated future increases.
- Starting earnings shown must not exceed anticipated current year's T4'd earnings for the purpose of the plan. RCAs can be based on salary only or salary and bonus.
- RRSP balance from the most recent statement.
- RRSP Contributions are capped at \$22,000 until indexing by CRA commences.
- Growth in the RRSP is projected using conservative rates of return.

Notes

The "Integrated Final Earnings Calculations" should be recalculated every 3 years to reflect any changes in circumstances and to minimize the risk of triggering the Salary Deferral Rules.

If future compensation decreases and RRSP rates of return increase, the RCA entitlement will be lower and RCA contributions will be adjusted downward. Conversely, if compensation increases and RRSP rates of return stay the same or lower, the RCA entitlement will be higher and RCA contributions can be adjusted upwards. Any unfunded contribution amounts required to produce the RCA entitlement can be made up in the future before and/or after retirement.

# Conventional Non-Insurance Funded Retirement Compensation Arrangement (RCA)

**PRIMARY BENEFIT - LEVEL FUNDING**

Prepared for Private Corporation  
RCA for Mr. Private Owner  
MALE 45, NON-SMOKER  
Retirement Benefit **\$216,794** (Indexed at 2%)  
Annual Contribution **\$139,922**

			RCA INVESTMENT ACCOUNT (RCAIA)					REFUNDABLE TAX ACCOUNT (RTA)				EXECUTIVE PAYMENTS	
			RCAIA (A)					RTA (B)				A+B	
YEAR	AGE	ANNUAL CONTRIBUTION	INVESTMENT CONTRIBUTION	TOTAL EARNINGS 5.5% NET	TO RTA	TO EXEC	YEAR END BALANCE	1/2 GROSS RCA CONTRIBUTION	1/2 TAXABLE EARNINGS FROM RCAIA	REFUNDS FROM RTA	RTA BALANCE	PRE-TAX ANNUAL RETIREMENT BENEFIT	
1	2009	45	139,922	69,961	3,848	0	0	73,809	69,961	0	0	69,961	0
2	2010	46	139,922	69,961	7,802	1,924	0	149,647	69,961	1,924	0	141,846	0
3	2011	47	139,922	69,961	11,864	3,901	0	227,571	69,961	3,901	0	215,708	0
4	2012	48	139,922	69,961	16,038	5,932	0	307,639	69,961	5,932	0	291,600	0
5	2013	49	139,922	69,961	20,327	8,019	0	389,907	69,961	8,019	0	369,580	0
6	2014	50	139,922	69,961	24,734	10,163	0	474,439	69,961	10,163	0	449,705	0
7	2015	51	139,922	69,961	29,262	12,367	0	561,295	69,961	12,367	0	532,033	0
8	2016	52	139,922	69,961	33,914	14,631	0	650,539	69,961	14,631	0	616,625	0
9	2017	53	139,922	69,961	38,695	16,957	0	742,238	69,961	16,957	0	703,543	0
10	2018	54	139,922	69,961	43,607	19,347	0	836,458	69,961	19,347	0	792,851	0
11	2019	55	139,922	69,961	48,654	21,803	0	933,269	69,961	21,803	0	884,615	0
12	2020	56	139,922	69,961	53,840	24,327	0	1,032,743	69,961	24,327	0	978,903	0
13	2021	57	139,922	69,961	59,168	26,920	0	1,134,952	69,961	26,920	0	1,075,784	0
14	2022	58	139,922	69,961	64,643	29,584	0	1,239,972	69,961	29,584	0	1,175,329	0
15	2023	59	139,922	69,961	70,269	32,322	0	1,347,880	69,961	32,322	0	1,277,612	0
16	2024	60	139,922	69,961	76,049	35,134	0	1,458,756	69,961	35,134	0	1,382,707	0
17	2025	61	139,922	69,961	81,988	38,024	0	1,572,680	69,961	38,024	0	1,490,692	0
18	2026	62	139,922	69,961	88,091	40,994	0	1,689,738	69,961	40,994	0	1,601,647	0
19	2027	63	139,922	69,961	94,361	44,045	0	1,810,015	69,961	44,045	0	1,715,654	0
20	2028	64	139,922	69,961	100,804	47,180	0	1,933,599	69,961	47,180	0	1,832,795	0
21	2029	65	0	0	91,652	50,402	216,794	1,758,055	0	50,402	0	1,883,197	216,794
22	2030	66	0	0	87,972	0	158,559	1,687,469	0	0	62,571	1,820,626	221,130
23	2031	67	0	0	84,067	0	158,974	1,612,562	0	0	66,579	1,754,047	225,552
24	2032	68	0	0	79,928	0	159,321	1,533,169	0	0	70,743	1,683,305	230,063
25	2033	69	0	0	75,546	0	159,597	1,449,119	0	0	75,068	1,608,237	234,665
26	2034	70	0	0	70,913	0	159,799	1,360,233	0	0	79,559	1,528,678	239,358
27	2035	71	0	0	66,017	0	159,922	1,266,327	0	0	84,223	1,444,455	244,145
28	2036	72	0	0	60,850	0	159,964	1,167,213	0	0	89,064	1,355,391	249,028
29	2037	73	0	0	55,401	0	159,920	1,062,695	0	0	94,089	1,261,302	254,009
30	2038	74	0	0	49,660	0	159,785	952,569	0	0	99,304	1,161,998	259,089
31	2039	75	0	0	43,616	0	159,556	836,629	0	0	104,714	1,057,284	264,271
32	2040	76	0	0	37,257	0	159,229	714,657	0	0	110,327	946,956	269,556
33	2041	77	0	0	30,572	0	158,798	586,432	0	0	116,150	830,807	274,947
34	2042	78	0	0	23,550	0	158,259	451,723	0	0	122,187	708,620	280,446
35	2043	79	0	0	16,176	0	157,607	310,293	0	0	128,448	580,171	286,055
36	2044	80	0	0	8,440	0	156,837	161,896	0	0	134,939	445,232	291,776
37	2045	81	0	0	0	0	161,896	0	0	0	141,668	303,564	297,612
38	2046	82	0	0	0	0	0	0	0	0	303,564	0	303,564

This illustration shows the annual contributions, based on past and future service, required to fund (a blended past & future service) the annual pension entitlement using fixed income investments such as bonds or Guaranteed Investment Certificates (GICs) at 5.5%, net of Management Expense Ratios (MERs), commissions and expenses.

One-half (50%) of annual contributions to the RCA go to a selected investment vehicle under the RCAIA. When investment income is earned in the RCAIA, one-half (50%) must be paid to the RTA account.

One-half (50%) of annual contributions go to the RTA, which is held by Canada Revenue Agency, and is refunded when the owner/employee retires and receives retirement benefits from the RCAIA. The RTA balance earns no interest, but the funds would have otherwise been lost to tax if paid to the owner/employee as salary or bonus.

This illustration does not include Survivor Benefits.

Does not include Trustee Fees or actuarial/consulting fees. Fees can range from approximately \$5,000 to \$7,500 annually, unless RCF's special trustee arrangement with BMO Trust Company is used.

E. & O.E.

Entitlement Calculation: **TBD**

This is an illustration of an RCA funded using fixed income investments such as bonds or Guaranteed Investment Certificates (GICs) and is meant for comparison purposes only and not for the sale of such products.

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# Conventional Non-Insurance Funded Retirement Compensation Arrangement (RCA)

## SURVIVOR BENEFIT - LEVEL FUNDING

Prepared for	Private Corporation RCA for Mr. Private Owner MALE 45, NON-SMOKER
Retirement Benefit	<b>\$171,562</b> (Indexed at 2%)
Annual Contribution	<b>\$139,922</b>

			RCA INVESTMENT ACCOUNT (RCAIA)					REFUNDABLE TAX ACCOUNT (RTA)				EXECUTIVE PAYMENTS	SURVIVOR PAYMENTS
			RCAIA (A)					RTA (B)				A+B	A+B
YEAR	AGE	ANNUAL CONTRIBUTION	INVESTMENT CONTRIBUTION	TOTAL EARNINGS 5.5% NET	TO RTA	TO EXEC	YEAR END BALANCE	1/2 GROSS RCA CONTRIBUTION	1/2 TAXABLE EARNINGS FROM RCAIA	REFUNDS FROM RTA	RTA BALANCE	PRE-TAX ANNUAL RETIREMENT BENEFIT	PRE-TAX ANNUAL SURVIVOR BENEFIT
1	2009	45	139,922	69,961	3,848	0	73,809	69,961	0	0	69,961	0	0
2	2010	46	139,922	69,961	7,802	1,924	149,647	69,961	1,924	0	141,846	0	0
3	2011	47	139,922	69,961	11,864	3,901	227,571	69,961	3,901	0	215,708	0	0
4	2012	48	139,922	69,961	16,038	5,932	307,639	69,961	5,932	0	291,600	0	0
5	2013	49	139,922	69,961	20,327	8,019	389,907	69,961	8,019	0	369,580	0	0
6	2014	50	139,922	69,961	24,734	10,163	474,439	69,961	10,163	0	449,705	0	0
7	2015	51	139,922	69,961	29,262	12,367	561,295	69,961	12,367	0	532,033	0	0
8	2016	52	139,922	69,961	33,914	14,631	650,539	69,961	14,631	0	616,625	0	0
9	2017	53	139,922	69,961	38,695	16,957	742,238	69,961	16,957	0	703,543	0	0
10	2018	54	139,922	69,961	43,607	19,347	836,458	69,961	19,347	0	792,851	0	0
11	2019	55	139,922	69,961	48,654	21,803	933,269	69,961	21,803	0	884,615	0	0
12	2020	56	139,922	69,961	53,840	24,327	1,032,743	69,961	24,327	0	978,903	0	0
13	2021	57	139,922	69,961	59,168	26,920	1,134,952	69,961	26,920	0	1,075,784	0	0
14	2022	58	139,922	69,961	64,643	29,584	1,239,972	69,961	29,584	0	1,175,329	0	0
15	2023	59	139,922	69,961	70,269	32,322	1,347,880	69,961	32,322	0	1,277,612	0	0
16	2024	60	139,922	69,961	76,049	35,134	1,458,756	69,961	35,134	0	1,382,707	0	0
17	2025	61	139,922	69,961	81,988	38,024	1,572,680	69,961	38,024	0	1,490,692	0	0
18	2026	62	139,922	69,961	88,091	40,994	1,689,738	69,961	40,994	0	1,601,647	0	0
19	2027	63	139,922	69,961	94,361	44,045	1,810,015	69,961	44,045	0	1,715,654	0	0
20	2028	64	139,922	69,961	100,804	47,180	1,933,599	69,961	47,180	0	1,832,795	0	0
21	2029	65	0	0	94,140	50,402	1,805,774	0	50,402	0	1,883,197	171,562	0
22	2030	66	0	0	91,822	0	1,36,282	0	0	38,711	1,844,486	174,994	0
23	2031	67	0	0	89,342	0	1,36,908	0	0	41,586	1,802,900	178,494	0
24	2032	68	0	0	86,694	0	1,37,488	0	0	44,576	1,758,324	182,063	0
25	2033	69	0	0	83,871	0	1,38,020	0	0	47,685	1,710,640	185,705	0
26	2034	70	0	0	80,867	0	1,38,502	0	0	50,917	1,659,723	189,419	0
27	2035	71	0	0	77,673	0	1,38,931	0	0	54,276	1,605,447	193,207	0
28	2036	72	0	0	74,283	0	1,39,304	0	0	57,767	1,547,680	197,071	0
29	2037	73	0	0	70,690	0	1,39,619	0	0	61,394	1,486,286	201,013	0
30	2038	74	0	0	66,885	0	1,39,872	0	0	65,161	1,421,125	205,033	0
31	2039	75	0	0	62,860	0	1,40,060	0	0	69,074	1,352,051	209,134	0
32	2040	76	0	0	58,608	0	1,40,180	0	0	73,137	1,278,914	213,316	0
33	2041	77	0	0	54,119	0	1,40,228	0	0	77,354	1,201,560	217,583	0
34	2042	78	0	0	49,384	0	1,40,202	0	0	81,732	1,119,828	221,934	0
35	2043	79	0	0	44,395	0	1,40,098	0	0	86,275	1,033,553	226,373	0
36	2044	80	0	0	39,141	0	1,39,911	0	0	90,989	942,564	230,900	0
37	2045	81	0	0	33,614	0	1,39,639	0	0	95,879	846,684	235,518	0
38	2046	82	0	0	27,803	0	1,39,277	0	0	100,952	745,732	240,229	0
39	2047	79	0	0	26,361	0	54,020	0	0	106,213	639,519	0	160,233
40	2048	80	0	0	22,503	0	96,501	0	0	66,936	572,583	0	163,437
41	2049	81	0	0	18,448	0	96,239	0	0	70,467	502,116	0	166,706
42	2050	82	0	0	14,187	0	95,911	0	0	74,129	427,987	0	170,040
43	2051	83	0	0	9,714	0	95,514	0	0	77,927	350,060	0	173,441
44	2052	84	0	0	5,021	0	95,046	0	0	81,863	268,197	0	176,910
45	2053	85	0	0	0	0	96,308	0	0	84,140	184,057	0	180,448
46	2054	86	0	0	0	0	0	0	0	184,057	0	0	184,057

This illustration includes Survivor Benefits. They are provided by reducing the retirement benefit while keeping the contribution at the same level. RCAs are not covered by Pension regulations. A Registered Pension Plan must make provisions for a 2/3 spousal benefit at the death of the pensioner. This benefit may be waived with the agreement of the spouse.

This illustration shows the annual contributions, based on past and future service, required to fund (a blended past & future service) the annual pension entitlement using fixed income investments such as bonds or Guaranteed Investment Certificates (GICs) at 5.5%, net of Management Expense Ratios (MERs), commissions and expenses

One-half (50%) of annual contributions to the RCA go to a selected investment vehicle under the RCAIA. When investment income is earned in the RCAIA, one-half (50%) must be paid to the RTA account.

One-half (50%) of annual contributions go to the RTA, which is held by Canada Revenue Agency, and is refunded when the owner/employee retires and receives retirement benefits from the RCAIA. The RTA balance earns no interest, but the funds would have otherwise been lost to tax if paid to the owner/employee as salary or bonus.

Does not include Trustee Fees or actuarial/consulting fees. Fees can range from approximately \$5,000 to \$7,500 annually, unless R'F's special trustee arrangement with BMO Trust Company is used.

E. & O.E.

Entitlement Calculation: **TBD**

This is an illustration of an RCA funded using fixed income investments such as bonds or Guaranteed Investment Certificates (GICs) and is meant for comparison purposes only and not for the sale of such products.

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# Conventional Non-Insurance Funded Retirement Compensation Arrangement (RCA)

**MAXIMUM PAST SERVICE FUNDING**

Prepared for	Private Corporation RCA for Mr. Private Owner MALE 45, NON-SMOKER
Retirement Benefit	<b>\$73,527</b> (Indexed at 2%)
Annual Contribution	<b>\$938,237</b>

		RCA INVESTMENT ACCOUNT (RCAIA)						REFUNDABLE TAX ACCOUNT (RTA)				EXECUTIVE PAYMENTS	SURVIVOR PAYMENTS
		RCAIA (A)						RTA (B)				A+B	A+B
YEAR	AGE	ANNUAL CONTRIBUTION	INVESTMENT CONTRIBUTION	TOTAL EARNINGS 5.5% NET	TO RTA	TO EXEC	YEAR END BALANCE	1/2 GROSS RCA CONTRIBUTION	1/2 TAXABLE EARNINGS FROM RCAIA	REFUNDS FROM RTA	RTA BALANCE	PRE-TAX ANNUAL RETIREMENT BENEFIT	PRE-TAX ANNUAL SURVIVOR BENEFIT
1	2009	45	938,237	469,118	25,802	0	494,920	469,118	0	0	469,118	0	0
2	2010	46	0	0	26,511	12,901	508,530	0	12,901	0	482,019	0	0
3	2011	47	0	0	27,240	13,256	522,515	0	13,256	0	495,275	0	0
4	2012	48	0	0	27,989	13,620	536,884	0	13,620	0	508,895	0	0
5	2013	49	0	0	28,759	13,995	551,648	0	13,995	0	522,889	0	0
6	2014	50	0	0	29,550	14,379	566,818	0	14,379	0	537,269	0	0
7	2015	51	0	0	30,362	14,775	582,406	0	14,775	0	552,044	0	0
8	2016	52	0	0	31,197	15,181	598,422	0	15,181	0	567,225	0	0
9	2017	53	0	0	32,055	15,599	614,879	0	15,599	0	582,823	0	0
10	2018	54	0	0	32,937	16,028	631,788	0	16,028	0	598,851	0	0
11	2019	55	0	0	33,843	16,468	649,162	0	16,468	0	615,319	0	0
12	2020	56	0	0	34,773	16,921	667,014	0	16,921	0	632,241	0	0
13	2021	57	0	0	35,730	17,387	685,357	0	17,387	0	649,627	0	0
14	2022	58	0	0	36,712	17,865	704,204	0	17,865	0	667,492	0	0
15	2023	59	0	0	37,722	18,356	723,570	0	18,356	0	685,848	0	0
16	2024	60	0	0	38,759	18,861	743,468	0	18,861	0	704,709	0	0
17	2025	61	0	0	39,825	19,379	763,913	0	19,379	0	724,088	0	0
18	2026	62	0	0	40,920	19,912	784,921	0	19,912	0	744,001	0	0
19	2027	63	0	0	42,045	20,460	806,506	0	20,460	0	764,461	0	0
20	2028	64	0	0	43,202	21,023	828,685	0	21,023	0	785,484	0	0
21	2029	65	0	0	40,346	21,601	773,903	0	21,601	0	807,084	73,527	0
22	2030	66	0	0	39,352	0	58,407	754,849	0	16,591	790,494	74,997	0
23	2031	67	0	0	38,290	0	58,675	734,464	0	17,822	772,671	76,497	0
24	2032	68	0	0	37,155	0	58,923	712,695	0	19,104	753,568	78,027	0
25	2033	69	0	0	35,945	0	59,151	689,488	0	20,436	733,131	79,588	0
26	2034	70	0	0	34,657	0	59,358	664,788	0	21,821	711,310	81,179	0
27	2035	71	0	0	33,289	0	59,542	638,534	0	23,261	688,049	82,803	0
28	2036	72	0	0	31,836	0	59,702	610,688	0	24,757	663,291	84,459	0
29	2037	73	0	0	30,296	0	59,837	581,127	0	26,312	636,980	86,148	0
30	2038	74	0	0	28,665	0	59,945	549,847	0	27,926	609,053	87,871	0
31	2039	75	0	0	26,940	0	60,026	516,762	0	29,603	579,450	89,629	0
32	2040	76	0	0	25,118	0	60,077	481,802	0	31,344	548,106	91,421	0
33	2041	77	0	0	23,194	0	60,098	444,898	0	33,152	514,954	93,250	0
34	2042	78	0	0	21,165	0	60,087	405,976	0	35,028	479,926	95,115	0
35	2043	79	0	0	19,026	0	60,042	364,961	0	36,975	442,951	97,017	0
36	2044	80	0	0	16,775	0	59,962	321,774	0	38,995	403,956	98,957	0
37	2045	81	0	0	14,406	0	59,845	276,334	0	41,091	362,865	100,936	0
38	2046	82	0	0	11,915	0	59,690	228,560	0	43,265	319,600	102,955	0
39	2047	79	0	0	11,297	0	23,151	216,706	0	45,520	274,080	0	68,671
40	2048	80	0	0	9,644	0	41,358	184,992	0	28,687	245,393	0	70,045
41	2049	81	0	0	7,906	0	41,245	151,653	0	30,200	215,193	0	71,445
42	2050	82	0	0	6,080	0	41,105	116,629	0	31,770	183,423	0	72,874
43	2051	83	0	0	4,163	0	40,935	79,857	0	33,397	150,026	0	74,332
44	2052	84	0	0	2,152	0	40,734	41,275	0	35,084	114,942	0	75,818
45	2053	85	0	0	0	0	41,275	0	0	36,060	78,882	0	77,335
46	2054	86	0	0	0	0	0	0	0	78,882	0	0	78,882

This illustration shows the maximum past service contributions required to fund the RCA using fixed income investments such as bonds or Guaranteed Investment Certificates (GICs) at 5.5% net of Management Expense Ratios (MERs), commissions and expenses.

One-half (50%) of annual contributions to the RCA go to a selected investment vehicle under the RCAIA. When investment income is earned in the RCAIA, one-half (50%) must be paid to the RTA account.

One-half (50%) of annual contributions go to the RTA, which is held by Canada Revenue Agency, and is refunded when the owner/employee retires and receives retirement benefits from the RCAIA. The RTA balance earns no interest, but the funds would have otherwise been lost to tax if paid to the owner/employee as salary or bonus.

This illustration does not show any funding for future years of service.

Does not include Trustee Fees or actuarial/consulting fees. Fees can range from approximately \$5,000 to \$7,500 annually, unless R'F's special trustee arrangement with BMO Trust Company is used.

E. & O.E.

Entitlement Calculation: **TBD**

This is an illustration of an RCA funded using fixed income investments such as bonds or Guaranteed Investment Certificates (GICs) and is meant for comparison purposes only and not for the sale of such products.

An RCA can be funded using various investment options. One of the most effective is a specially designed PENSIONPlus™ universal life insurance plan. The funding amount is the same as for a conventional non-insurance funded RCA, but PENSIONPlus™ provides enhanced benefits. A medical is required to obtain these additional benefits. If you are not insurable, or you are within 10 years or less to retirement, your spouse’s life may be used. If your spouse is not insurable a substitute life may be considered.

You could receive the following additional benefits:

**Single Life:**

- Pre-retirement death benefit, if medical passed
- Survivor benefits at same cost as conventional non-insurance funded RCA, indexed at younger ages

**Joint Life:**

- Indexed primary and survivor benefits resulting from enhanced investment performance from the tax-sheltering of investment income

- Fully integrated with the Refundable Tax Account (RTA)
- Choice of investments
- Full sample documentation and trust agreements provided
- No shared ownership or split-dollar concerns
- No loan arrangements required
- Reduced trustee fees

Trust services for RCAs funded using PENSIONPlus™ are provided by BMO Trust Company for an annual fee of \$1,000. In the first year, there is a one-time setup charge of \$4,000. In the second and subsequent years, BMO Trust Company prepares and files the annual tax return for a fee of \$250. For its services RCF will share in the setup charge with BMO Trust Company, and will share in the policy commissions with your financial advisor. RCF performs a three year review of the RCA including a recalculation pension entitlement calculation. The fee for this service is \$1,000. All fees are tax deductible to the corporation and subject to applicable taxes. You pay any legal or accounting fees charged by your own advisors. Your lawyer will be required to assist you in the completion of the documents and trust agreement provided.

In situations where PENSIONPlus™ is not the best funding option, RCF offers a large selection of Segregated Funds. Segregated Funds are the insurance industries equivalent to mutual funds, the difference being that taxation starts from the day of purchase, making them more desirable for RCA purposes.

# PENSION Plus™ Comparison

The following comparison shows the benefits of using PENSION Plus™ insurance funding as the asset in the RCA Investment Account from the date of retirement until the death of the Plan Member.

## Retirement Compensation Arrangement (RCA) Funding Illustration Post-Retirement Benefit Comparison between PENSION Plus™ and the Conventional RCA

Prepared for:	Private Corporation RCA for Mr. Private Owner
Based on a deductible annual allowable contribution of Retirement Benefit	\$139,922 \$216,794

RCA		CONVENTIONAL RCA		PENSION Plus™ RCA	PENSION Plus™ RCA ANNUAL PROJECTED PENSION ADVANTAGE	
YEAR	AGE	PLAN MEMBER BENEFIT	JOINT WITH SURVIVOR BENEFIT	PLAN MEMBER BENEFIT	ADDITIONAL PLAN MEMBER BENEFIT	
21	2029	65	216,794	171,562	216,794	45,232
22	2030	66	221,130	174,994	221,130	46,136
23	2031	67	225,552	178,494	225,552	47,059
24	2032	68	230,063	182,063	230,063	48,000
25	2033	69	234,665	185,705	234,665	48,960
26	2034	70	239,358	189,419	239,358	49,939
27	2035	71	244,145	193,207	244,145	50,938
28	2036	72	249,028	197,071	249,028	51,957
29	2037	73	254,009	201,013	254,009	52,996
30	2038	74	259,089	205,033	259,089	54,056
31	2039	75	264,271	209,134	264,271	55,137
32	2040	76	269,556	213,316	269,556	56,240
33	2041	77	274,947	217,583	274,947	57,365
34	2042	78	280,446	221,934	280,446	58,512
35	2043	79	286,055	226,373	286,055	59,682
36	2044	80	291,776	230,900	291,776	60,876
37	2045	81	297,612	235,518	297,612	62,093
38	2046	82	303,564	240,229	303,564	63,335
SPOUSES AGE		SURVIVOR BENEFITS				
39	2047	79	0	160,233	202,477	42,244
40	2048	80	0	163,437	206,527	43,089
41	2049	81	0	166,706	210,657	43,951
42	2050	82	0	170,040	214,870	44,830
43	2051	83	0	173,441	219,168	45,727
44	2052	84	0	176,910	223,551	46,641
45	2053	85	0	180,448	228,022	47,574
46	2054	86	0	184,057	232,583	48,526

**TOTAL ADDITIONAL PROJECTED INCOME USING PENSION Plus™ \$1,331,094**

### RRSP Wrap™ Funding

RCAs can be conventionally funded with T-Bills, GICs, stocks, bonds or segregated funds. Alternatively, PENSION Plus™ can be used to provide insurance funding

With the Conventional RCA, one-half of all annual earnings in the RCA Investment Account must be transferred to the Refundable Tax Account. With the PENSION Plus™ funded RCA, all of the income in the RCA Investment Account is tax sheltered until retirement. This means that there is less money in the Refundable Tax Account earning no interest and more in the RCA Investment Account with tax sheltered earnings, resulting in better performance.

These comparisons use the same 5.5%(net of MERs) throughout the funding period for both Conventionally Funded and PENSION Plus™ insurance funded RCAs. Benefits will vary depending on the contributions to the RCA, investment performance, and the cost of insurance to maintain exempt status under CRA rules.

The additional accrued tax-sheltered earnings using PENSION Plus™ (after all MERs, mortality costs, expenses, and provincial taxes) over those in a Conventional non-tax sheltered fund RCA are returned tax-free to the RCA Trust from the insurance carrier selected on the death of the Plan Member and used for survivor benefits.

A PENSION Plus™ Insurance Funded RCA ledger will be provided once the contribution level and benefit payout have been determined. This will be backed up by an illustration from the insurance carrier whose product has been illustrated using the PENSION Plus™ configuration.

The illustrations in this report show your current annual entitlement from an RRSPWrap™ based on the input data you provided. Please indicate whether you wish to use the initially illustrated amount or a lower amount. You cannot select a higher contribution or entitlement figure than shown in this report. Adjustments will be made depending on your selection.

Before an RCA is established, you must confirm that the information contained on the Input Data sheet (Page 5) is accurate. If your RRSP or other pension balances are not shown, these illustrations must be redone if you are a controlling shareholder with any form of pension or a non-controlling shareholder with a corporate pension plan. RRSP balances for non-controlling shareholders do not have to be included unless the corporation has contributed to it. For Example; a group RRSP or bonus paid directly to your RRSP.

The PENSIONPlus™ platform configures an insurance carrier's illustration so that any insurance carrier receives the same annual contribution from the RCA, pays out the same primary benefits to the Plan Member, and returns the required funds on death of the Plan Member/life insured to pay the survivor benefits. You select the underlying investment options which will be reflected in the illustration if provided in advance.

<b>CLIENT</b> Private Corporation RCA for Mr. Private Owner	<b>ADVISOR</b> Mr. Senior Advisor ABC Financial	<b>PROPOSAL NO</b> TBD
<b>PROJECTED ANNUAL RETIREMENT ENTITLEMENT</b> \$216,794	<b>PROJECTED ANNUAL CONTRIBUTION TO RCA</b> \$139,922	<b>RETIREMENT AGE</b> 65

To use projected figures, check here  , otherwise insert desired amounts below

REQUESTED ANNUAL RETIREMENT ENTITLEMENT	REQUESTED ANNUAL CONTRIBUTION TO RCA	SUBSTITUTE LIFE REQUIRED <input type="checkbox"/> Yes <input type="checkbox"/> No
REQUESTED INSURANCE CARRIER FOR PENSIONPlus™		

If you have confirmed that the input data is correct, check here

If you wish to exchange the survivor benefits for a lower contribution amount, please check here

Corporate Year End \_\_\_\_\_. If you are a U.S. citizen, please check here

I understand that I must pass a medical or provide a substitute life if I proceed with the establishment of the RRSPWrap™ using PENSIONPlus™ as the funding vehicle.

\_\_\_\_\_  
ADVISOR SIGNATURE

\_\_\_\_\_  
CLIENT SIGNATURE

\_\_\_\_\_  
DATE

**Fax To: 416.364.4092**

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