

## ***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

## ***Using***

# **PENSION *Plus* GIF**<sup>TM</sup>

***Guaranteed Investment Funding for RCAs***

Retirement Compensation Arrangement  
Trust Services Provided by BMO Trust Company

Funding for Retirement Compensation Arrangement  
Provided by RBC Life Insurance Company

**Working to Secure the Future**

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.

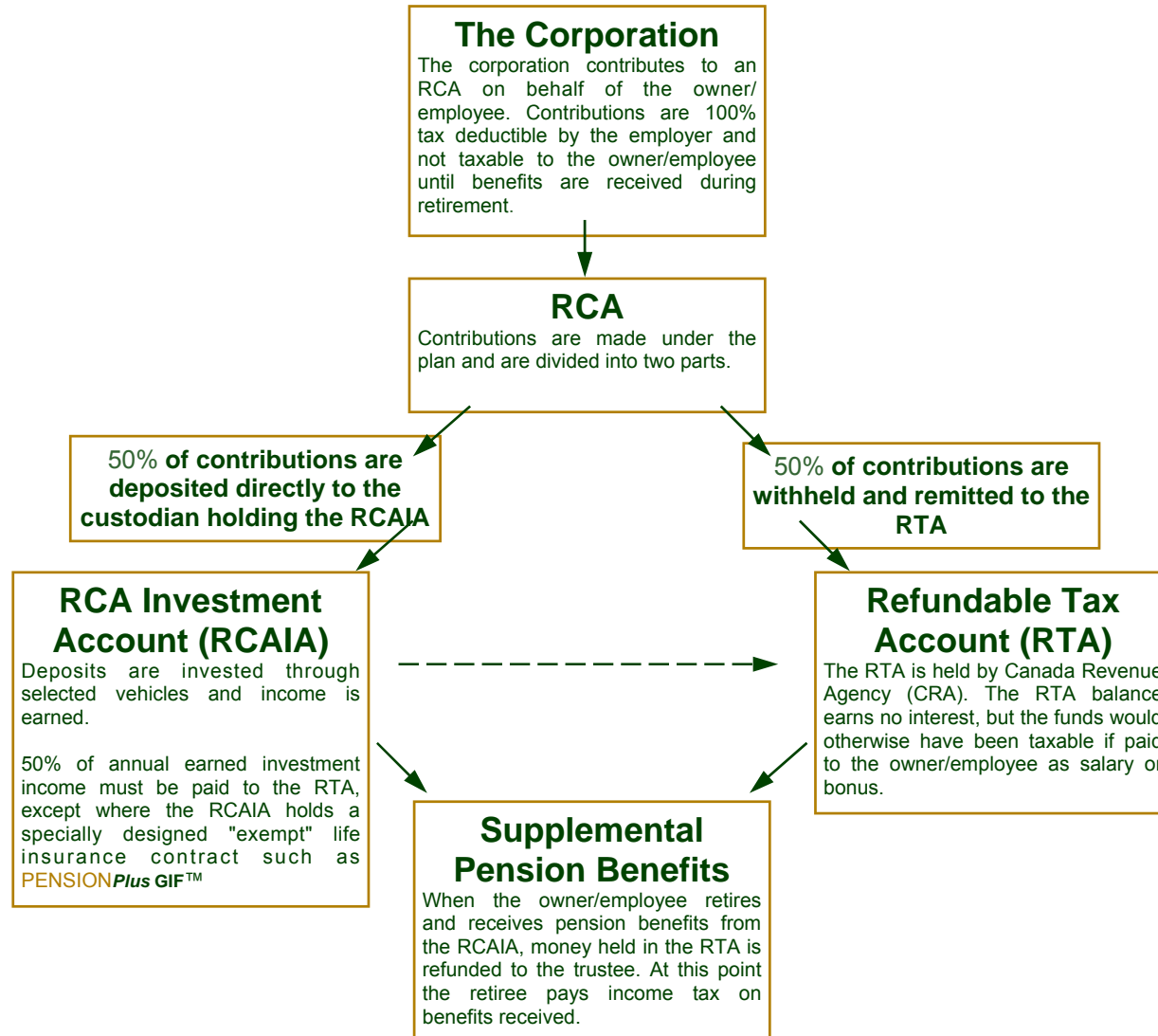
**Retirement Compensation Funding**, RCA specialists, provide the **RRSP *Wrap*<sup>TM</sup>**, that 'wraps' an RCA around the RRSP and/or other registered pension plans to fund the difference between an appropriate pension and income from registered pension or savings plans.

## 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, split-dollar or shared-ownership arrangements required

# Pension Shortfall Funding

## How it Works



# Illustrations

## 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.**

## Funding Calculations

Illustrations included are 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
- Illustrations showing the annual level corporate contribution to the RCA for both combined Primary and Survivor Benefits
- Illustration showing the maximum past service contribution in a single lump sum
- **PENSION Plus GIF™** funding illustrations

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 the desired contribution or entitlement levels.

# Input Data

<i>Prepared for</i>	Private Corporation
	RCA for Mr. Private Owner
<i>Proposal Number</i>	TBD
<i>Company</i>	Private Corporation
<i>Address</i>	24 Success Drive
<i>City, Province</i>	Toronto, ON
<i>Postal Code</i>	M6C 2H3
<i>Sex</i>	Male
<i>Smoking Status</i>	Non-Smoker
<i>Date of Birth</i>	February 21, 1954
<i>Contributions Begin at Age</i>	55
<i>Retirement Age</i>	65
<i>Current Earnings</i>	\$325,779
<i>Salary Index</i>	5%
<i>Past Years of Service</i>	25
<i>Future Years of Service</i>	10
<i>Required Pension Percentage</i>	<b>70% of final average 5 yrs</b> (2% x years of service)
<i>Primary Benefits to Age</i>	82
<i>Survivor Benefits to Age</i>	86
<i>RCAIA Earning Rate (net of MERs)</i>	4.0%
<i>Current RRSP Balance</i>	\$550,023
<i>RRSP Earning Rate (net of MERs)</i>	4.0%
<i>Spousal Date of Birth</i>	February 21, 1958

**Mr. Senior Advisor  
ABC Financial**

# Integrated Final Earnings Calculation

Entitlement Calculation: TBD

Prepared for	Private Corporation Inc.	MALE 55, NON-SMOKER
	RCA for Mr. Private Owner	
Final 5 yr average salary	\$459,496	1
Pension Entitlement	70% of Final 5 year eligible earnings	
Total Desired Pension	\$321,647	2
Projected Funded Pension from RRSPs	\$57,876	
Unfunded Pension Entitlement	\$263,771	3

YEAR	AGE	EARNINGS INDEXED AT 5%	CURRENT RRSP BALANCE	FUTURE RRSP CONTRIBUTION	RRSP BALANCE 4% (NET)	PROJECTED FUNDED PENSION	RCA ENTITLEMENT
1	2009	55	325,779	21,000	593,864	0	0
2	2010	56	342,068	22,000	640,498	0	0
3	2011	57	359,171	22,000	688,998	0	0
4	2012	58	377,130	22,000	739,438	0	0
5	2013	59	395,986	22,000	791,896	0	0
6	2014	60	415,786	22,000	846,452	0	0
7	2015	61	436,575	22,000	903,190	0	0
8	2016	62	458,404	22,000	962,197	0	0
9	2017	63	481,324	22,000	1,023,565	0	0
10	2018	64	505,390	22,000	1,087,388	0	0
11	2019	65	0	0	1,070,692	57,876	263,771
12	2020	66	0	0	1,052,125	59,034	269,046
13	2021	67	0	0	1,031,586	60,214	274,427
14	2022	68	0	0	1,008,974	61,419	279,916
15	2023	69	0	0	984,180	62,647	285,514
16	2024	70	0	0	957,091	63,900	291,224
17	2025	71	0	0	927,590	65,178	297,049
18	2026	72	0	0	895,553	66,482	302,990
19	2027	73	0	0	860,851	67,811	309,049
20	2028	74	0	0	823,351	69,168	315,230
21	2029	75	0	0	782,912	70,551	321,535
22	2030	76	0	0	739,388	71,962	327,966
23	2031	77	0	0	692,626	73,401	334,525
24	2032	78	0	0	642,467	74,869	341,216
25	2033	79	0	0	588,745	76,367	348,040
26	2034	80	0	0	531,285	77,894	355,001
27	2035	81	0	0	469,907	79,452	362,101
28	2036	82	0	0	404,420	81,041	369,343
29	2037	79	0	0	364,381	54,054	246,352
30	2038	80	0	0	321,615	55,135	251,279
31	2039	81	0	0	275,993	56,238	256,304
32	2040	82	0	0	227,375	57,363	261,430
33	2041	83	0	0	175,620	58,510	266,659
34	2042	84	0	0	120,577	59,680	271,992
35	2043	85	0	0	62,091	60,874	277,432
36	2044	86	0	0	0	62,091	282,981

- 1 Years of service x 2%. Maximum 70% of final five-year average eligible earnings.
- 2 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
- 3 Total Desired Pension minus Projected Funded Pension from RRSP, MPPP, and/or IPP. Benefit is indexed by a moderate inflation assumption of 2%.
- 4 The salary index rate reflects anticipated future increases.
- 5 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.
- 6 RRSP balance from the most recent statement.
- 7 RRSP Contributions are capped at \$22,000 until indexing by CRA commences.
- 8 Growth in the RRSP is projected using conservative rates of return.

Notes

The "Integrated Final Earnings Calculations" must 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 Funded Retirement Compensation Arrangement (RCA)

## PRIMARY & SURVIVOR BENEFITS - LEVEL FUNDING

Prepared for	Private Corporation Inc.
	RCA for Mr. Private Owner
	MALE 55, NON-SMOKER
Retirement Benefit	<b>\$263,771</b> (Indexed at 2%)
Annual Contribution	<b>\$559,115</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 4% 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	55	559,115	279,557	11,182	0	0	290,740	279,557	0	0	279,557	0	0
2	2010	56	559,115	279,557	22,588	5,591	0	587,294	279,557	5,591	0	564,706	0	0
3	2011	57	559,115	279,557	34,222	11,294	0	889,780	279,557	11,294	0	855,557	0	0
4	2012	58	559,115	279,557	46,089	17,111	0	1,198,315	279,557	17,111	0	1,152,226	0	0
5	2013	59	559,115	279,557	58,193	23,045	0	1,513,021	279,557	23,045	0	1,454,828	0	0
6	2014	60	559,115	279,557	70,539	29,097	0	1,834,021	279,557	29,097	0	1,763,482	0	0
7	2015	61	559,115	279,557	83,132	35,270	0	2,161,441	279,557	35,270	0	2,078,309	0	0
8	2016	62	559,115	279,557	95,977	41,566	0	2,495,410	279,557	41,566	0	2,399,432	0	0
9	2017	63	559,115	279,557	109,079	47,989	0	2,836,057	279,557	47,989	0	2,726,978	0	0
10	2018	64	559,115	279,557	122,443	54,540	0	3,183,518	279,557	54,540	0	3,061,075	0	0
11	2019	65	0	0	114,341	61,222	263,771	2,972,867	0	61,222	0	3,122,297	263,771	0
12	2020	66	0	0	111,141	0	194,331	2,889,677	0	0	74,715	3,047,582	269,046	0
13	2021	67	0	0	107,768	0	195,475	2,801,971	0	0	78,952	2,968,630	274,427	0
14	2022	68	0	0	104,215	0	196,586	2,709,600	0	0	83,329	2,885,300	279,916	0
15	2023	69	0	0	100,477	0	197,664	2,612,413	0	0	87,850	2,797,450	285,514	0
16	2024	70	0	0	96,548	0	198,706	2,510,256	0	0	92,518	2,704,932	291,224	0
17	2025	71	0	0	92,422	0	199,711	2,402,967	0	0	97,338	2,607,594	297,049	0
18	2026	72	0	0	88,092	0	200,676	2,290,382	0	0	102,313	2,505,280	302,990	0
19	2027	73	0	0	83,551	0	201,600	2,172,333	0	0	107,449	2,397,831	309,049	0
20	2028	74	0	0	78,794	0	202,481	2,048,646	0	0	112,749	2,285,082	315,230	0
21	2029	75	0	0	73,813	0	203,317	1,919,142	0	0	118,218	2,166,864	321,535	0
22	2030	76	0	0	68,601	0	204,105	1,783,639	0	0	123,861	2,043,003	327,966	0
23	2031	77	0	0	63,152	0	204,843	1,641,948	0	0	129,682	1,913,321	334,525	0
24	2032	78	0	0	57,457	0	205,529	1,493,876	0	0	135,687	1,777,634	341,216	0
25	2033	79	0	0	51,509	0	206,160	1,339,224	0	0	141,879	1,635,755	348,040	0
26	2034	80	0	0	45,300	0	206,735	1,177,788	0	0	148,266	1,487,489	355,001	0
27	2035	81	0	0	38,822	0	207,250	1,009,360	0	0	154,851	1,332,639	362,101	0
28	2036	82	0	0	32,066	0	207,703	833,723	0	0	161,640	1,170,999	369,343	0
29	2037	79	0	0	30,240	0	77,713	786,250	0	0	168,638	1,002,361	0	246,352
30	2038	80	0	0	25,721	0	143,223	668,748	0	0	108,056	894,305	0	251,279
31	2039	81	0	0	21,009	0	143,525	546,231	0	0	112,779	781,527	0	256,304
32	2040	82	0	0	16,098	0	143,783	418,547	0	0	117,648	663,879	0	261,430
33	2041	83	0	0	10,982	0	143,993	285,536	0	0	122,666	541,213	0	266,659
34	2042	84	0	0	5,655	0	144,154	147,038	0	0	127,838	413,375	0	271,992
35	2043	85	0	0	0	0	147,038	0	0	0	130,394	282,981	0	277,432
36	2044	86	0	0	0	0	0	0	0	0	282,981	0	0	282,981

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 4%, net of Management Expense Ratios (MERs), commissions and expenses. This amount is relative to Long Term Canada Bond yields, and **the RCA must be recalculated every three years to ensure the funding is not excessive for the required benefits.**

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<sup>o</sup>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.

Copyright: Retirement Compensation Funding (R<sup>o</sup>F)

# Conventional Funded Survivor Benefits

## SURVIVOR BENEFIT - LEVEL FUNDING

Prepared for	Private Corporation Inc. RCA for Mr. Private Owner MALE 55, NON-SMOKER
Retirement Benefit	<b>\$263,771</b> (Indexed at 2%)
Annual Contribution	<b>\$125,675</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 4% 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	55	125,675	62,837	2,513	0	65,351	62,837	0	0	62,837	0	0	
2	2010	56	125,675	62,837	5,077	1,257	132,009	62,837	1,257	0	126,931	0	0	
3	2011	57	125,675	62,837	7,692	2,539	200,000	62,837	2,539	0	192,307	0	0	
4	2012	58	125,675	62,837	10,360	3,846	269,351	62,837	3,846	0	258,991	0	0	
5	2013	59	125,675	62,837	13,080	5,180	340,088	62,837	5,180	0	327,008	0	0	
6	2014	60	125,675	62,837	15,855	6,540	412,241	62,837	6,540	0	396,386	0	0	
7	2015	61	125,675	62,837	18,686	7,928	485,837	62,837	7,928	0	467,151	0	0	
8	2016	62	125,675	62,837	21,573	9,343	560,904	62,837	9,343	0	539,331	0	0	
9	2017	63	125,675	62,837	24,518	10,787	637,473	62,837	10,787	0	612,955	0	0	
10	2018	64	125,675	62,837	27,522	12,259	715,574	62,837	12,259	0	688,051	0	0	
11	2019	65	0	0	28,072	13,761	729,885	0	13,761	0	701,812	0	0	
12	2020	66	0	0	28,634	14,036	744,483	0	14,036	0	715,849	0	0	
13	2021	67	0	0	29,207	14,317	759,372	0	14,317	0	730,166	0	0	
14	2022	68	0	0	29,791	14,603	774,560	0	14,603	0	744,769	0	0	
15	2023	69	0	0	30,387	14,895	790,051	0	14,895	0	759,664	0	0	
16	2024	70	0	0	30,994	15,193	805,852	0	15,193	0	774,858	0	0	
17	2025	71	0	0	31,614	15,497	821,969	0	15,497	0	790,355	0	0	
18	2026	72	0	0	32,246	15,807	838,408	0	15,807	0	806,162	0	0	
19	2027	73	0	0	32,891	16,123	855,177	0	16,123	0	822,285	0	0	
20	2028	74	0	0	33,549	16,446	872,280	0	16,446	0	838,731	0	0	
21	2029	75	0	0	34,220	16,775	889,726	0	16,775	0	855,506	0	0	
22	2030	76	0	0	34,905	17,110	907,520	0	17,110	0	872,616	0	0	
23	2031	77	0	0	35,603	17,452	925,671	0	17,452	0	890,068	0	0	
24	2032	78	0	0	36,315	17,801	944,184	0	17,801	0	907,869	0	0	
25	2033	79	0	0	37,041	18,157	963,068	0	18,157	0	926,027	0	0	
26	2034	80	0	0	37,782	18,521	982,329	0	18,521	0	944,547	0	0	
27	2035	81	0	0	38,538	18,891	1,001,976	0	18,891	0	963,438	0	0	
28	2036	82	0	0	39,308	19,269	1,022,015	0	19,269	0	982,707	0	0	
29	2037	79	0	0	30,240	19,654	786,250	0	19,654	0	1,002,361	0	246,352	
30	2038	80	0	0	25,721	0	143,223	0	0	108,056	894,305	0	251,279	
31	2039	81	0	0	21,009	0	143,525	0	0	112,779	781,527	0	256,304	
32	2040	82	0	0	16,098	0	143,783	0	0	117,648	663,879	0	261,430	
33	2041	83	0	0	10,982	0	143,993	0	0	122,666	541,213	0	266,659	
34	2042	84	0	0	5,655	0	144,154	0	0	127,838	413,375	0	271,992	
35	2043	85	0	0	0	0	147,038	0	0	130,394	282,981	0	277,432	
36	2044	86	0	0	0	0	0	0	0	282,981	0	0	282,981	

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 4%, net of Management Expense Ratios (MERs), commissions and expenses. This amount is relative to Long Term Canada Bond yields, and the RCA must be recalculated every three years to ensure the the funding is not excessive for the required benefits.

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

1 This is the required balance at projected mortality to provide Survivor Benefits assuming 4% guaranteed earnings.

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.



# Conventional Funded Retirement Compensation Arrangement (RCA)

### MAXIMUM PAST SERVICE FUNDING

Prepared for	Private Corporation Inc. RCA for Mr. Private Owner MALE 55, NON-SMOKER
Retirement Benefit	<b>\$188,408</b> (Indexed at 2%)
Annual Contribution	<b>\$3,480,660</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 4.5% 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	55	3,480,660	1,740,330	78,315	0	1,818,645	1,740,330	0	0	1,740,330	0	0	
2	2010	56	0	0	80,077	39,157	1,859,565	0	39,157	0	1,779,488	0	0	
3	2011	57	0	0	81,879	40,038	1,901,405	0	40,038	0	1,819,526	0	0	
4	2012	58	0	0	83,721	40,939	1,944,186	0	40,939	0	1,860,465	0	0	
5	2013	59	0	0	85,605	41,860	1,987,931	0	41,860	0	1,902,326	0	0	
6	2014	60	0	0	87,531	42,802	2,032,659	0	42,802	0	1,945,128	0	0	
7	2015	61	0	0	89,500	43,765	2,078,394	0	43,765	0	1,988,894	0	0	
8	2016	62	0	0	91,514	44,750	2,125,158	0	44,750	0	2,033,644	0	0	
9	2017	63	0	0	93,573	45,757	2,172,974	0	45,757	0	2,079,401	0	0	
10	2018	64	0	0	95,678	46,787	2,221,866	0	46,787	0	2,126,187	0	0	
11	2019	65	0	0	99,353	47,839	2,074,972	0	47,839	0	2,174,027	188,408	0	
12	2020	66	0	0	86,955	0	2,019,278	0	0	49,527	2,124,499	192,176	0	
13	2021	67	0	0	84,414	0	1,960,283	0	0	52,611	2,071,888	196,019	0	
14	2022	68	0	0	81,727	0	1,897,873	0	0	55,803	2,016,086	199,940	0	
15	2023	69	0	0	78,887	0	1,831,928	0	0	59,107	1,956,979	203,939	0	
16	2024	70	0	0	75,890	0	1,762,326	0	0	62,526	1,894,453	208,017	0	
17	2025	71	0	0	72,730	0	1,688,942	0	0	66,064	1,828,390	212,178	0	
18	2026	72	0	0	69,401	0	1,611,645	0	0	69,724	1,758,666	216,421	0	
19	2027	73	0	0	65,898	0	1,530,304	0	0	73,510	1,685,156	220,750	0	
20	2028	74	0	0	62,215	0	1,444,781	0	0	77,426	1,607,730	225,165	0	
21	2029	75	0	0	58,346	0	1,354,934	0	0	81,475	1,526,255	229,668	0	
22	2030	76	0	0	54,285	0	1,260,618	0	0	85,661	1,440,595	234,261	0	
23	2031	77	0	0	50,025	0	1,161,685	0	0	89,988	1,350,606	238,946	0	
24	2032	78	0	0	45,559	0	1,057,979	0	0	94,461	1,256,146	243,725	0	
25	2033	79	0	0	40,881	0	949,343	0	0	99,083	1,157,062	248,600	0	
26	2034	80	0	0	35,983	0	835,614	0	0	103,860	1,053,203	253,572	0	
27	2035	81	0	0	30,859	0	716,625	0	0	108,794	944,409	258,643	0	
28	2036	82	0	0	25,502	0	592,202	0	0	113,892	830,517	263,816	0	
29	2037	79	0	0	24,093	0	559,487	0	0	119,157	711,359	0	175,965	
30	2038	80	0	0	20,517	0	476,455	0	0	75,936	635,423	0	179,485	
31	2039	81	0	0	16,779	0	389,644	0	0	79,484	555,939	0	183,074	
32	2040	82	0	0	12,872	0	298,928	0	0	83,148	472,791	0	186,736	
33	2041	83	0	0	8,793	0	204,182	0	0	86,932	385,860	0	190,471	
34	2042	84	0	0	4,533	0	105,274	0	0	90,839	295,021	0	194,280	
35	2043	85	0	0	0	0	105,274	0	0	92,892	202,129	0	198,166	
36	2044	86	0	0	0	0	0	0	0	202,129	0	0	202,129	

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 4.5%, net of Management Expense Ratios (MERs), commissions and expenses. This amount is relative to Long Term Canada Bond yields, and **the RCA must be recalculated every three years to ensure the the funding is not excessive for the required benefits.**

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<sup>CF</sup>'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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R<sup>CF</sup>'s PENSIONPlus GIF™ differs from R<sup>CF</sup>'s PENSIONPlus™ which is designed to provide unreduced survivor benefits at the same cost as funding Primary Benefits assuming 5.5% earnings (net of MERs). PENSIONPlus GIF™ is funded for both Primary and Survivor Benefits with partial or full guarantees at 4%. PENSIONPlus GIF™ incorporates a fully guaranteed annual cost of funding Survivor Benefits at less than the allocation for Survivor Benefits if Conventionally Funded. Primary Benefit funding is held in a Variable Pool. Survivor Benefit funding is held in a specially configured policy contractually guaranteed by the insurance company to earn no less than 4%.

### Variable Funding Pool

Assets in the Variable Pool provide Primary Benefits with targeted earning of 4% net of MERs. A portion of this Variable Pool up to CRA limits can be allocated to the PENSIONPlus GIF™ policy at a guaranteed 4%. This is in addition to the funds that are contributed for Survivor Benefits. In the illustrations included in this report, the allocation at the 4% guarantee prepay Survivor Benefit costs to retirement. The balance of the Variable Pool can be invested in Segregated Funds, Mutual Funds, or Portfolio Managed. Earnings in the excess of 4% (net of MERs) in the Variable Pool reduce the Plan Sponsors contributions over time.

**Assets in the Variable Pool are managed by you or your Financial Advisor.**

### Survivor Benefits: PENSIONPlus GIF™

Survivor Benefits commence at the Plan Members death and are normally  $\frac{2}{3}$ <sup>rd</sup> of the Plan Members entitlement.

With PENSIONPlus GIF™ a portion of the funds allocated for Survivor Benefits are transferred to RBC Life at a guaranteed annual cost to provide indicated Survivor Benefits. Extra funds to prepay this cost to retirement are contractually guaranteed at 4% by the insurance company used.

PENSIONPlus GIF™ provides a pre-retirement benefit to the RCA. The cost savings in funding Survivor Benefits provide additional reserves for Primary Benefits. A medical is required on the Plan Member to confirm normal life expectancy.

R<sup>CF</sup>'s PENSIONPlus GIF™ is designed to reduce the investment risk for those with shorter time horizons to retirement either partially or fully guaranteed at 4% and, with only a 4% performance requirement on the non-guaranteed Variable Pool.

R<sup>CF</sup>'s PENSIONPlus™ is for those with sufficient time (10 years or more to retirement) to work out a market downturn. It features full tax-sheltered funding using exempt insurance contracts with a wide range of investment options. Earnings are projected at 5.5% (net of MERs) and the design is to provide Primary and Unreduced Survivor Benefits at the same cost of Conventionally Funded Primary Benefits.



# PENSIONPlus GIF™ Primary & Survivor Funding

PENSIONPlus GIF™

Prepared for: Private Corporation  
RCA for Mr. Private Owner  
MALE 55, NON-SMOKER  
RBC Destiny Universal Life

Annual Retirement Benefit: **\$263,771**  
Annual Pre-Retirement Contr: **\$559,115**

GROSS CONTRIBUTIONS			RCA INVESTMENT ACCOUNT (RCAIA) Interest Assumption: 4% (net of MERs)							REFUNDABLE TAX ACCOUNT (RTA)				RETIREMENT BENEFITS					
RCA			VARIABLE POOL				PENSIONPlus GIF™ UNIVERSAL LIFE POLICY				RTA				PRE-TAX ANNUAL INDEXED RETIREMENT BENEFIT FROM VARIABLE POOL	PRE-TAX ANNUAL INDEXED RETIREMENT BENEFIT FROM PENSIONPlus GIF™			
YEAR	AGE	ANNUAL CONTRIBUTION	TOTAL CONTRIBUTION TO RCAIA	IN VESTMENT CONTRIBUTION	TOTAL EARNING AT 4% (net of MERs)	TO RTA	TO EXEC	YEAR END BALANCE	ANNUAL SURVIVOR BENEFIT COST + PREMIUM TAX	SCHEDULED EXCESS FUNDING	ACCOUNT VALUE / YEAR END BALANCE	DEATH BENEFIT	AVAILABLE EXCESS TAX-SHELTERED ROOM (MTAR) AT 4% (net of MERs)	1/2 GROSS RCA CONTRIBUTION	1/2 TAXABLE INTEREST FROM VARIABLE POOL	REFUNDS FROM RTA FROM VARIABLE POOL	RTA BALANCE		
1	2009	55	559,115	279,557	216,729	8,669	0	225,398	19,148	43,680	45,758	1,067,773	14,319	279,557	0	0	279,557	0	0
2	2010	56	559,115	279,557	216,729	17,512	4,335	455,305	19,148	43,680	93,346	1,115,361	51,079	279,557	4,335	0	563,449	0	0
3	2011	57	559,115	279,557	216,729	26,531	8,756	689,809	19,148	43,680	142,838	1,164,853	100,570	279,557	8,756	0	851,763	0	0
4	2012	58	559,115	279,557	216,729	35,731	13,266	929,004	19,148	43,680	194,309	1,216,324	152,042	279,557	13,266	0	1,144,585	0	0
5	2013	59	559,115	279,557	216,729	45,115	17,865	1,172,983	19,148	43,680	247,840	1,269,855	207,422	279,557	17,865	0	1,442,008	0	0
6	2014	60	559,115	279,557	216,729	54,686	22,557	1,421,841	19,148	43,680	303,511	1,325,526	265,060	279,557	22,557	0	1,744,123	0	0
7	2015	61	559,115	279,557	216,729	64,449	27,343	1,675,676	19,148	43,680	361,410	1,383,425	324,976	279,557	27,343	0	2,051,024	0	0
8	2016	62	559,115	279,557	216,729	74,407	32,225	1,934,588	19,148	43,680	421,624	1,443,639	387,263	279,557	32,225	0	2,362,905	0	0
9	2017	63	559,115	279,557	216,729	84,565	37,204	2,198,678	19,148	43,680	484,247	1,506,262	452,020	279,557	37,204	0	2,679,566	0	0
10	2018	64	559,115	279,557	216,729	94,925	42,282	2,468,050	19,148	43,680	549,374	1,571,389	549,374	279,557	42,282	0	3,001,406	0	0
11	2019	65	0	0	0	86,273	47,463	263,771	17,891	0	553,073	1,575,088	553,073	0	47,463	0	3,048,869	263,771	0
12	2020	66	0	0	0	82,512	0	180,297	17,891	0	556,920	1,578,935	556,920	0	0	88,749	2,960,120	269,046	0
13	2021	67	0	0	0	78,566	0	181,160	17,891	0	560,920	1,582,935	560,920	0	0	93,267	2,866,852	274,427	0
14	2022	68	0	0	0	74,429	0	181,985	17,891	0	565,080	1,587,095	565,080	0	0	97,931	2,768,922	279,916	0
15	2023	69	0	0	0	70,095	0	182,771	17,891	0	569,407	1,591,422	569,407	0	0	102,743	2,666,178	285,514	0
16	2024	70	0	0	0	65,559	0	183,515	17,891	0	573,907	1,595,922	573,907	0	0	107,709	2,558,469	291,224	0
17	2025	71	0	0	0	60,812	0	184,216	17,891	0	578,587	1,600,602	578,587	0	0	112,833	2,445,636	297,049	0
18	2026	72	0	0	0	55,850	0	184,871	17,891	0	583,454	1,605,469	583,454	0	0	118,118	2,327,518	302,990	0
19	2027	73	0	0	0	50,665	0	185,480	17,891	0	588,516	1,610,531	588,516	0	0	123,570	2,203,948	309,049	0
20	2028	74	0	0	0	45,230	0	186,038	17,891	0	593,780	1,615,795	593,780	0	0	129,192	2,074,756	315,230	0
21	2029	75	0	0	0	39,598	0	186,548	17,891	0	599,255	1,621,270	599,255	0	0	134,990	1,939,766	321,535	0
22	2030	76	0	0	0	33,702	0	186,997	17,891	0	604,949	1,626,964	604,949	0	0	140,969	1,798,797	327,966	0
23	2031	77	0	0	0	27,554	0	187,393	17,891	0	610,871	1,632,886	610,871	0	0	147,132	1,651,665	334,525	0
24	2032	78	0	0	0	21,147	0	187,730	17,891	0	617,029	1,639,044	617,029	0	0	153,485	1,498,180	341,216	0
25	2033	79	0	0	0	14,473	0	188,006	17,891	0	623,434	1,645,449	623,434	0	0	160,034	1,338,146	348,040	0
26	2034	80	0	0	0	7,523	0	188,217	17,891	0	630,095	1,652,110	630,095	0	0	166,783	1,171,362	355,001	0
27	2035	81	0	0	0	290	0	188,362	17,891	0	637,022	1,659,037	637,022	0	0	173,739	997,624	362,101	0
28	2036	82	0	0	0	0	0	188,362	17,891	0	643,322	1,665,337	643,322	0	0	180,905	816,718	368,437	180,905
29	2037	79	0	0	1,485,337	59,413	0	152,883	0	0	0	0	0	0	0	93,469	723,249	0	246,352
30	2038	80	0	0	0	55,675	0	155,940	0	0	0	0	0	0	0	95,338	627,911	0	251,279
31	2039	81	0	0	0	51,664	0	156,497	0	0	0	0	0	0	0	99,807	528,103	0	256,304
32	2040	82	0	0	0	47,471	0	157,014	0	0	0	0	0	0	0	104,417	423,687	0	261,430
33	2041	83	0	0	0	43,089	0	157,488	0	0	0	0	0	0	0	109,171	314,516	0	266,659
34	2042	84	0	0	0	38,513	0	157,919	0	0	0	0	0	0	0	114,073	200,443	0	271,992
35	2043	85	0	0	0	33,737	0	158,304	0	0	0	0	0	0	0	119,128	81,316	0	277,432
36	2044	86	0	0	0	28,754	0	201,665	0	0	0	0	0	0	0	81,316	0	0	282,981

- 1 After assets in Variable Pool are exhausted, payments are withdrawn from PENSIONPlus GIF™ policy
- 2 Refunds from the RTA are pre-determined by a formula set out by the CRA. They are calculated as follows: Previous Year's Annual Retirement Benefit less Previous years credited earnings to Variable Pool or Previous Year's Taxable Portion of Withdrawals from PENSIONPlus GIF™ divided by 2.
- 3 Additional projected benefits of PENSIONPlus GIF™

**E. & O.E.**  
This PENSIONPlus GIF™ Illustration can only be used in conjunction with the attached Insurance Carrier's universal life Insurance policy  
ALL TERMS AND CONDITIONS STIPULATED BY THE UNIVERSAL LIFE ILLUSTRATION APPLY  
Copyright: R F Retirement Compensation Funding

Entitlement Calculation: **TBD**

I acknowledge that I have reviewed this PENSIONPlus GIF™ illustration with my advisor.

OWNER'S SIGNATURE AND TITLE

ADVISOR'S SIGNATURE

DATE

# PENSIONPlus GIF™ Due Diligence & Disclosure

This report provides all of the required information to assist your accountant, lawyer and other professional advisor to complete any due diligence on your behalf in establishing the RCA that is wrapped around your existing RRSP based on the data provided on Page 5 of this report.

- The Integrated Final Earnings calculation shows your RCA Entitlement.
- The Conventional Funded RCA ledger shows the current allowable corporate funding for both primary and survivor benefits. These illustrations show ½ of annual earnings being transferred to the RCA Refundable Tax Account (RTA) and the refunds back to the Trustee as benefits commence so that no monies remain in either the RCA Investment Account (RCAIA) or RTA at life expectancy. Refunds from the RTA are determined by a CRA formula.
- The Conventional Funded Survivor Illustrations show how much of the total annual contribution is allocated to Survivor Benefits.
- The Variable Pool ledger shows the amounts and payouts for Primary Benefits.
- The PENSIONPlus GIF™ Survivor Funding & Benefit Ledgers show the allocation to the PENSIONPlus GIF™ contract and benefit payouts from or before Plan Members death.
- The Accompanying PENSIONPlus GIF™ RCA Illustration only from the insurance carrier illustrated confirms the columns in the PENSIONPlus GIF™ Survivor Benefit RCA Ledger (Contributions and Withdrawals). The greater RCA Investment Survivor Death Benefits from PENSIONPlus GIF™ as compared to a Conventionally funded Survivor Benefit are shown below.

PLAN MEMBERS AGE	RCA Survivor Benefit		
	PENSIONPLUS GIF™ RCA	CONVENTIONAL RCA	PENSIONPLUS GIF™ RCA ADVANTAGE
55	1,067,773	65,351	1,002,422
56	1,115,361	132,009	983,352
57	1,164,853	200,000	964,853
58	1,216,324	269,351	946,974
59	1,269,855	340,088	929,766
60	1,325,526	412,241	913,285
61	1,383,425	485,837	897,588
62	1,443,639	560,904	882,735
63	1,506,262	637,473	868,788
64	1,571,389	715,574	855,816
65	1,575,088	729,885	845,203
66	1,578,935	744,483	834,452
67	1,582,935	759,372	823,563
68	1,587,095	774,560	812,536
69	1,591,422	790,051	801,371
70	1,595,922	805,852	790,070
71	1,600,602	821,969	778,633
72	1,605,469	838,408	767,061
73	1,610,531	855,177	755,354
74	1,615,795	872,280	743,515
75	1,621,270	889,726	731,544
76	1,626,964	907,520	719,444
77	1,632,886	925,671	707,215
78	1,639,044	944,184	694,860
79	1,645,449	963,068	682,381
80	1,652,110	982,329	669,781
81	1,659,037	1,001,976	657,061
82	1,485,337	1,022,015	463,321

E. & O.E.

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The use of PENSIONPlus GIF™ in an RCA provides more efficient funding of survivor benefits, provides a pre-retirement death benefit and lowers the investment performance objective in the Variable Pool to 4% (net of MERs). Any earnings in excess of 4% reduces the Plan Sponsor's cost of funding. In Group RCAs, any excess mortality gains from Survivor Benefits further mitigate this funding cost.

## *Variable Pool*

The assets provide maximum flexibility in funding Primary Benefits. In the event of death prior to retirement, both the Account Value and the insurance amount in the PENSIONPlus GIF™ contract are transferred to the Variable Pool providing enhanced Survivor Benefits.

Investment objective in the Variable Pool to provide Primary Benefits as projected in the report is 4% (net of MERs). Any earnings above this level reduce funding costs which must be recalculated every three years.

## *Survivor Benefits*

The face amount of the underlying PENSIONPlus GIF™ policy is the required balance shown on Page 8 of 14. The cost of buying this amount is fully guaranteed. Additional funds can be contributed to the policy based upon the maximum (excess tax-sheltered room) shown on Page 11 of 14.

This amount can be adjusted upward if large increases to Survivor Benefit are anticipated (for example; a much younger spouse) providing the cost of such increase does not exceed cost of Conventional funded Survivor Benefit to retirement

## *Advantages*

When a PENSIONPlus™ or PENSIONPlus GIF™ universal life insurance policy is used as the investment vehicle in the RCA Investment Account, it offers extra advantages at the same or a reduced cost compared to a conventional non-insurance funded RCA:

- Pre-retirement death benefit (if medical passed)
- Unreduced survivor benefits
- Fully integrated with 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

## *Fees*

Trust services for RCAs funded using PENSIONPlus GIF™ are provided by BMO Trust Company for an annual fee of \$1,500 if the Variable Pool assets are held in Segregated Funds. Otherwise, the starting annual fee is \$4000 if Variable Pool assets are held in Mutual Funds or Portfolio Managed. In the first year, there is a one-time setup charge of \$4,000 if Variable Pool assets are held in Segregated Funds. Otherwise, the setup charge is \$7,500. In the second and subsequent years, BMO Trust Company prepares and files the annual tax return for a fee of \$250. For its services R<sup>CF</sup> will share in the initial setup charge with BMO Trust Company, and will share in the policy commissions with your Financial Advisor. R<sup>CF</sup> performs a required three year review of the RCA including a recalculation of the 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.

The illustrations in this report show your current annual entitlement from an RRSPWrap™ based on the input data you provided and have confirmed on the PENSIONPlus™ Request Form.

<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> \$263,771	<b>PROJECTED ANNUAL CONTRIBUTION TO RCA</b> \$559,115	<b>RETIREMENT AGE</b> 65

Before the RCA is established, the Input Data sheet (Page 5) must be reconfirmed as accurate.

I understand that I must pass a medical to establish life expectancy if I proceed with the establishment of the RRSPWrap™ using PENSIONPlus GIF™ as the funding vehicle. If I do not meet normal life expectancy guides, I will be provided with new illustrations to the life expectancy determined by the insurer with adjusted funding costs or be provided the opportunity of adding a second life for PENSIONPlus™ on a joint-second basis.

I understand that the illustrations and all values represented are for informational purposes only, are not guaranteed, and are an estimate or prediction of future performance which will depend on contributions to the RCA, investment earnings, and the cost of insurance to maintain exempt status.

I confirm that the illustrations and procedures to establish an RCA have been explained to me by my financial advisor(s), I have discussed and considered this report, and all my questions have been satisfactorily answered. I understand the fees to RCF and BMO Trust Company for the RCA and that my financial advisor(s) and RCF will share in the commission paid by the insuring company on the policy.

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

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

\_\_\_\_\_  
DATE