RCA

Retirement Compensation Arrangement

An RCA is a trust that is registered with the Canada Revenue Agency (CRA) and defined under Section 248 (1). It allows employers and individuals to make tax deductible contributions for the future benefit of designated individuals. RCA's have the highest level of contributions to a tax sheltered plan allowable by the CRA. Contributions to an RCA do not affect RRSP or Registered Pension Plan (RPP) contribution limits. The flexible settlement options of the trust allow beneficiaries control over the timing of income recognition.

Highlights

- ☑ Large annual contributions toward retirement savings
- ☑ Age not a factor in determining contributions or distributions
- ☑ Assets are securable from creditors
- ☑ Multiple individuals may participate in a single plan
- ☑ Strategy for key employee retention (Golden Handcuff)
- ☑ Large deductions reduce/eliminate corporate tax
- ☑ Ideal for company principles taking more income than their current lifestyle requires
- ☑ Major tax advantages for company principles who intend to sell at retirement and emigrate from Canada

Serre Financial

info@serre.ca www.serre.ca 1-866-927-0111

RCA

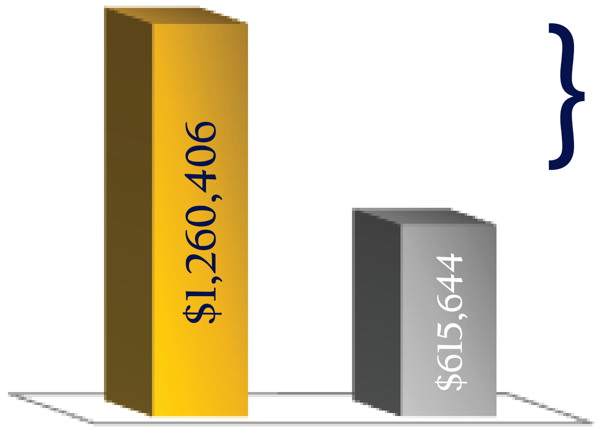
Contributions To Retirement

RCA established for a 45 year old individual earning $150,000 with an additional $100,000 bonus being allocated for retirement savings. Assumes a 7.5% rate of return on assets, growth is sheltered until disposition and contributions for 10 years.

Value of Retirement Savings While Contributing

Value With RCA
54: $1,260,406

Value Without RCA
54: $615,644



$644,762
more
in retirement
savings

Age 54

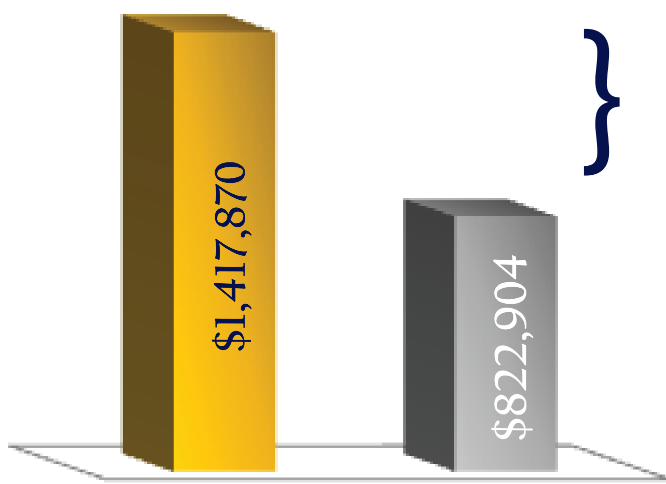
Distributions

The now 55 year old individual sells the business and starts withdrawing $100,000 per year.

Value of Retirement Income (Net of Taxes)

Value With RCA
$1,417,870

Value Without RCA
$822,904



$594,966
more
in retirement
savings

Comparison Of Scenarios

The decline in the marginal personal tax rate allows the individual to gain over 8 years more in payments with an RCA than without. The lost opportunity cost is over **$594,000**!

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