

Retirement Compensation Arrangement

Maximize your retirement assets

What is an RCA?

An RCA is a tax deferred savings vehicle used to invest and save for retirement. The RCA allows companies to make tax-deductible contributions on behalf of key employees for retirement purposes. A key advantage of the RCA is there are no earnings maximums, often creating substantially more contribution room versus traditional retirement plans.

Case Study

A corporation makes tax-deductible contributions of \$1,000,000 into an RCA for an executive age 55. The executive withdraws \$80,000/year starting at age 65. The executive's tax rate decreases from 54% to 40% in retirement.

- ✓ **\$120,000 saved in taxes**
- ✓ **\$240,000 in additional after tax income**

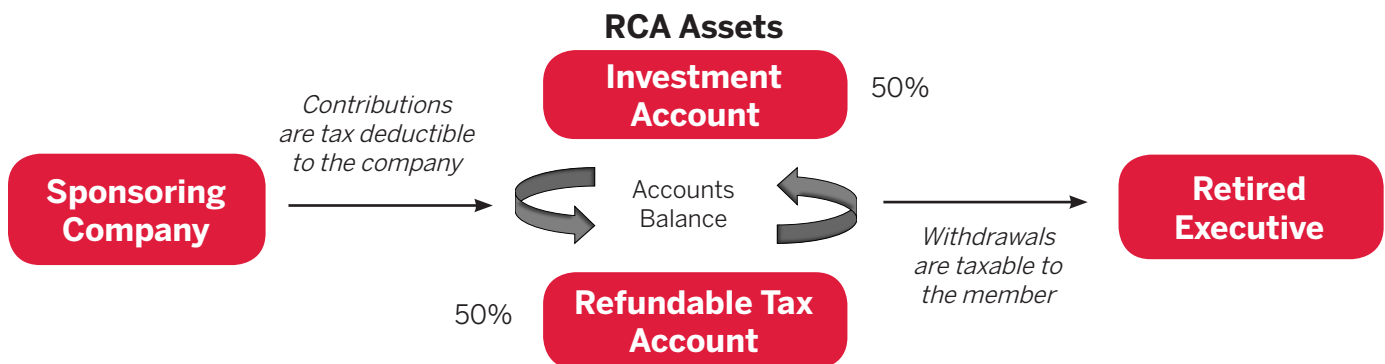
Advantages of an RCA

- ✓ Large company contributions - **all contributions and costs are tax deductible** to the company
- ✓ Can **reduce passive income** in corporation
- ✓ **Flexibility** - no funding requirements, no withdrawal minimums, **no age 71** restrictions
- ✓ Creditor protection

Key Uses of an RCA

- Enhance Retirement Savings
- Severance
- Executive Compensation
- Cross Border - if member ceases to be a Canadian resident, potential favourable tax treatment depending on tax treaty
- In contemplation of the sale of a business
- Professional Athletes

How does an RCA work?



All contributions to the RCA and realized investment returns are subject to a 50% refundable tax which CRA will hold in a Refundable Tax Account (RTA). These funds are still assets of the RCA trust, but do not earn interest. On retirement, as funds are withdrawn from the RCA, the trust is reimbursed from the RTA so the two accounts remain balanced. All funds paid from the RCA are subject to income tax rates in the year received.

Next Steps:

Visit our website at www.gblinc.ca to receive a personal RCA quote or speak with a GBL Representative



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