

# Registered asset preservation plan

If you are without a plan, the largest beneficiary of your estate may be the government. In fact, if you fall within the highest marginal tax rates then your estate could lose up to half of the value of your RRSP or RRIF in one year.

Like most Canadians, the prospect of losing that much value in any kind of investment is quite disturbing.

## Do you want the Canada Revenue Agency to be the beneficiary of up to half of your estate?

### A Typical Scenario

You are already receiving RRIF or RRSP income above what you need to live and your future income requirements will be more than adequately met through pension and investment income. However, you are also interested in preserving the entire balance of your RRIF or RRSP for your estate or family on death.

- At your death, the remaining fair market value of your RRSP or RRIF is included as income on your final tax return and is subject (in most cases) to the highest marginal tax rate.
- If your spouse is the named beneficiary of your RRSP or RRIF a tax-free rollover is available to your surviving spouse.
- At your surviving spouse's death any remaining value is fully taxable as income in his or her final tax return.

It's not a question of liquidity – this is assured through your RRSP or RRIF proceeds – it's more a question of preservation of capital despite the taxes which have to be paid. Life insurance can be the ideal preservation plan for registered assets.

### The life insurance solution

Life insurance can provide you with the potential to leverage small premium payments into greater estate benefits. Assuming you are insurable, you can purchase enough life insurance to cover the value of your RRSP or RRIF portfolio. Ideally, life insurance is suited for individuals who have surplus income in retirement and who wish to maximize the value of their assets tax-free to their beneficiaries. For most people, the annual cost of insuring their life for an amount equal to the value of your RRSP or RRIF – depending on product chosen, age, sex, health and smoking habits – can be quite reasonable. In fact, in many cases the cost of preserving your RRSP or RRIF capital, notwithstanding the income tax payable, can be as low as 1% per year of the value of your RRSP or RRIF.



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