

# RRIF ESTATE MAXIMIZER

A legacy building strategy

Using surplus retirement  
income to optimize estate value



The **RRIF Estate Maximizer** concept is a legacy building strategy designed to optimize the value of that portion of the estate which people don't intend to spend. It is set up to provide guaranteed, tax-free monies earmarked for future generations or favourite causes.

## How does it work?

This concept is designed for people who have surplus income in retirement and wish to maximize the transfer of estate assets tax-free to beneficiaries.

By withdrawing only the minimum required RRIF income, they are actually creating a larger tax liability, as 100% of the remaining RRIF balance is normally taxable on their death.

The concept assumes that taxable RRSP assets are applied to a RRIF. Income tax would be payable on the RRIF income and a portion, or all of the resulting net proceeds are invested in a tax-advantaged life insurance policy.

Many people have a portion of income that they invest and wish to leave as a legacy for future generations; assets they never intend to spend themselves.

The concept shows how this approach outperforms taking the same net annual amount and placing it in an alternative investment with the net after-tax interest being reinvested. The life insurance policy fund grows on a tax-sheltered basis. The fund may be used to pay annual mortality charges for the estate benefit.

Conventional investments simply create additional tax liabilities now and for the estate. These alternative investments are also difficult to pass on to heirs without probate and associated valuation and transfer costs.

## Funding options

Deposits can be made on a monthly or annual basis, either for a set period of time or for life. Actual deposits and results vary with a person's age, sex, health and tax bracket.

Pay tax on your RRIF income only once. Proceeds can be paid out to your designated beneficiary outside of your estate at death. You can avoid paying income tax, probate and legal fees.

## Why set up an RRIF Estate Maximizer?

For qualified individuals, this concept offers:

1. a large, immediate estate value
2. an increasing value driven by tax-sheltered growth of extra deposits (based on current legislation)
3. a tax-free value at death
4. reduced time and costs for estate settlement if a named beneficiary(s) is chosen
5. possible creditor protection for individual and beneficiary(s).

Conventional investments are taxed each year and/or create a large tax bill upon death. The RRIF estate maximizer creates an immediate and larger after-tax estate value vs. other investments.

## Who is it for?

This strategy is designed primarily for people:

- interested in significantly enhancing the net worth of their estate to provide a larger legacy for future generations or favourite causes
- who have RRSPs or RRIFs
- who are now receiving more RRIF income than what they need to live on
- with adequate assets and cash flow to assure an ongoing, comfortable lifestyle for themselves.

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<sup>1</sup> *Financial Post Magazine*, June 2010, based on revenue

<sup>2</sup> As at June 22, 2011

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