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Planner

Tax strategies:

THE MULTIFACETED RRSP

Jasper Gopher died.

Jasper died knowing that Sardius*, his brother and executor, was fully empowered to make decisions around terminal income tax to the betterment of his widow, Amethyst.

And Sardius, sage fellow, fathoms that there's a whole lot more to Registered Retirement Savings Plans than simply tax sheltered savings.

SAVING THE SPOUSE

Jasper died with \$20,000 of unused RRSP contribution room. Though allowed no further contributions to his own plan in the year of death, he may contribute to his widow. Sardius rounded up a number of cash accounts, then rolled \$20,000 into Amethyst's spousal RRSP. This saved her, as the chief beneficiary of Jasper's estate, \$9,000 in terminal income tax.

HOME BUYER'S PLAN

Jasper's high-rolling daughter, Sapphire, had been divorced by that scoundrel Sardonyx, whose crafty lawyer weaseled him the couple's kitschy Kitsilano home. Fatigued by the sameness of urban condo living, eager to relocate to the islands, Sapphire

was pleasantly surprised she was able to access her RRSP for a down payment.

As it's been five years since she was a happy homeowner, Sapphire is again eligible for the Home Buyer's Plan. She now borrows \$20,000 from her RRSP. As long as she pays back at least 1/15 annually over the next 15 years, there are no tax consequences.

Visit WWW.JOHNQGREGG.COM for links to everything you ever wanted to know about RRSPs. Includes easy calculators to test tax savings for varied levels of RRSP contributions.

LIFELONG LEARNING

Sapphire's sister, Chalcedony, similarly divorced by similar scoundrel Chrysoprasus, wants revenge. Which she figures she can best accomplish by becoming a lawyer. Under the Lifelong Learning Plan, she'll borrow up to \$20,000 from her RRSP over the next few years. Only after she's completed her degree will she begin to repay herself, at least 1/10 per year over ten years.

SINGLE MOMMING IT

In the meantime, as a low-income single-mom, Chalcedony relies on assistance from the monthly Canadian Child Tax Benefit and the quarterly GST Credit. Because an RRSP contribution decreases net income, it can simultaneously increase social benefits. Perverse, she figures, that a

*A \$100 contribution will be made to the charity of choice for the first individual who sends an e-mail correctly identifying (a) to what foundation the Gopher family's names apply, and (b) your source reference.

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\$1,000 RRSP contribution not only reduces this year's income tax by \$220, but improves next year's income itself by \$336.**

OTHER STUDENT STUFF

Chalcedony's tickled that she'll be attending university with her eldest daughter, Emerald, back from touring the world.

Penniless Emerald plans to apply for a student loan. But the small cash gift inherited from Jasper would have to be exhausted before the province would consider either grants or loans. She rolls the \$5,000 into a RRSP, knowing that she can honestly declare this on her loan application, and won't be compelled to cash it.

As a starving student, she certainly doesn't need the tax deduction from the RRSP contribution — and will save it for when she and her mother open their law firm.

SEVERELY SEVERED

Beryl, another of Jasper's daughters, has just been rationalized. Her job has been donated by the provincial government to a US transnational registered in Bermuda.

Lavished with a sumptuous severance package

**Chalcedony has two children at home under seven, and earned \$26,000 in 2002.



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Thanks to all those who introduced friends and family throughout the past year. Such referrals are the highest compliment and greatest responsibility. They are never taken lightly.

purchased by the taxpayers in whose name she's being fired, Beryl worries that it may be some time before she finds another position. To protect her rights to Employment Insurance benefits, she needs to get her net income for the year under \$48,750. She has to find a way to disappear the taxpayers' largesse.

For each year of government service prior to 1996, she can roll \$2,000 into her RRSP without concern about contribution limits. The remainder of her severance package she then applies to the unused RRSP contribution room, disappearing it all from income. Case closed.

BOUNTIFULLY BONUSED

Beryl's daughter Topaz, a fish farmer, once fretted over performance bonuses. Ten grand was nice surprise — but giving up another \$4600 for the taxes was not.

She found a solution. Any future bonus is now transferred by the company directly to her RRSP. No tax is withheld at source, no further tax due at year end.

She maintains sufficient contribution room to absorb future bonuses.

A RETIRING 12 YEAR OLD?

Topaz's twelve year old daughter, Jacinth, earns income sweeping up the shop floor for her father, Chrysolyte. Chrys, a self-employed cabinet-maker, has always wanted to keep this business expense thoroughly transparent. He's annually filed an income tax return for his daughter, declaring what he's paid her, along with her babysitting income. Though she's never had to pay income tax, Jacinth has earned \$1,000 in RRSP contribution room.

Topaz wants to give Jacinth \$1,000 of her inheritance from Jasper, but recognizes there are all sorts of foolish income tax attribution rules. So she opens an RRSP. Jacinth, down the road, can leverage this investment into the Home Buyer's Plan, the Lifelong Learning Plan, or whatever she wants with the money. Meanwhile, this gift grows sheltered from all tax for maximum compounded returns.

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