

# FROM D' COSTA'S FILES

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with compliments of Francis D'Costa, New York Life Ins. Co.



## The Clock's Ticking Off



The clock for your R.R.S.P. contribution is ticking off. The deadline is March 1, 1994

The basics of R.R.S.P. are outlined below:

### Purpose of R.R.S.P.

The Federal Government recognizing that the Canada Pension Plan would at best provide only a base of retirement income, established R.R.S.P.'s to allow Canadians to save for their OWN RETIREMENT.

As an incentive to do so, legislation was passed allowing for R.R.S.P. contributions within the allowable limits to be deducted from current income in calculating your income tax.

As a further incentive, all growth within the plan is tax sheltered until such time as the funds are withdrawn from the plan, at which time all funds received are taxable.

While the benefit of deducting the annual contribution is well recognized and publicized, the fact that the funds compound within the R.R.S.P. on a tax deferred basis is in fact an even greater benefit.

### Earned income

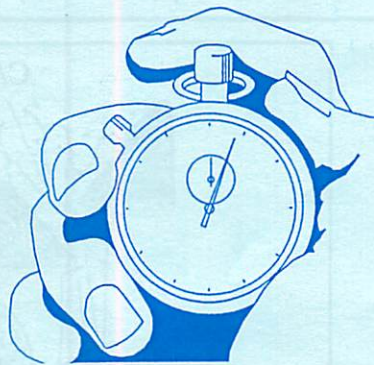
The amount allowable contributions in a year is based on what is termed "earned income". Earned income is as follows:

Salaries, wages, royalties, net business income, net rental income from real estate, alimony and maintenance received, net research grants minus any 60(J) and 60 (J) (2) deductions, alimony or maintenance.

Limits are 18% of 1992's "earned income" to a \$12,500 maximum.

Those individuals that are members of a registered pension plan to which the employer contributes anything on their behalf will be advised what their pension adjustment (P.A.) is. This amount as calculated by a formula prescribed by Revenue Canada is subtracted from the current year's limit to determine what amount can be contributed to a R.R.S.P. in the year.

The P.A. is to be calculated by the employer and communicated to the employee.



### Spousal R.R.S.P.

A contributor can deposit all or part of his/her contribution in his/her spouse's name. Doing so does not increase the contributors own limit, nor does it decrease the spouse's limit for income he or she may have earned themselves.

Funds deposited to a spousal R.R.S.P. are vested immediately in the spouse's name. The income tax deduction goes to the contributor of the funds.

### Advantages of a Spousal R.R.S.P.

1. A spousal R.R.S.P. is an excellent way to achieve income splitting in your retirement years.

For example, if one spouse expects a healthy pension income while the other spouse has no pension income it would be "tax wise" to ensure that R.R.S.P. income would be in the hands of the spouse without the pension.

2. If one spouse is significantly younger than the other, putting the funds in the name of the younger spouse creates the opportunity for a longer deferral of taxes if the income is not required immediately on retirement.

### Special note

An individual who is 71 years of age or older may continue to make contributions to a spousal plan until the end of the year in which the spouse turns 71.

### Taxation

**WITHDRAWALS:** Any withdrawals from a R.R.S.P. are taxable in the year of withdrawal. An amount from 10% to 30%, depending on the amount of withdrawal, will be withheld and forwarded to Revenue Canada as a tax payment.

**REFUND OF PREMIUMS:** The full amount of the R.R.S.P. is taxable to the estate on death. There are two exceptions to this rule. If the beneficiary of the fund is the annuitant's spouse or dependent child the amount is classed as a "refund of premiums" and is treated as follows:

a. If the beneficiary of the R.R.S.P. is the plan holder's spouse, the amount of refund may be taxed in the spouse's

Dear Reader,

Thanks for the compliments and suggestions received.

Plans are well on the way to mail you another 4 colour informative newsletter "Intouch" on a quarterly basis directly from USA. Clients involved in business will receive "In-business" on a quarterly basis.

This newsletter **D'Costa's Files** besides providing useful information will initiate networking concept between my clients.

In this issue, a new classified advertisements section is introduced. Any client wishing to announce his/her services/products at no cost may contact me.

Due consideration will be given to scrutinise the advertisements before publishing.

Over 800 copies of this newsletter were distributed to an estimated readership of 1,200. If you want me to send one to your acquaintance, please give me a call and I will make sure s/he receives one with your compliments.

Yours sincerely,

**Francis D'Costa**

hand. The spouse then has the option to transfer this amount to his/her R.R.S.P. without attracting taxation. Should there be no beneficiary designated, the executor and the spouse may agree, on a joint basis, that all or part of such refund be treated as a "refund of premiums" to the spouse and obtain the same treatment.

In addition the spouse may elect to purchase an annuity or R.R.I.F.

b. If the beneficiary of the funds are dependent children of the plan holder, and there is no surviving spouse of the annuitant, the entire proceeds of the

R.R.S.P. will be taxed to the recipient beneficiary. This can result in a substantial shift of income out of the deceased's final return.

For dependent children under the age of 18 the entire proceeds can be rolled over to a fixed term annuity for the benefit of the child.

The term of the annuity cannot exceed 18 years minus the age of the child. For a child who was dependent on the deceased parent as a result of a mental or physical infirmity, a complete rollover is available.

**PREFERENCE:** There are several reasons why a R.R.S.P. contributor would prefer New York Life Insurance Co. to a bank or a trust company.

#### NEW YORK LIFE INS.CO.

- \* Protected against creditors
- \* Personal service at your convenience
- \* Knowledgeable agents with experience in all facets of retirement planning
- \* Save 3% to 5% cost of life annuities by dealing direct after 10 years loyalty
- \* 2% bonus pension payout to compensate for 10 years loyalty with our company
- \* Insurance law dictates that we must back every dollar deposited with one real cash dollar Ratio 1:1
- \* No surrender charges
- \* No fees or cost to client
- \* Interest compounded annually

#### BANK / TRUST CO.

- Open to creditors i.e. Estate
- Line-ups, traffic, gas, hassle at their convenience
- Often a clerk with little knowledge of laws, limits or balancing portfolio
- Not licensed to market life annuities (creating a middleman)
- Unavailable
- Maximum \$60,000 protected by CDIC deposit insurance
- Ratio as high as 1:12
- Permanent market value adjustments
- Often hidden service charges
- May not be compounded

*We Can Help You Send  
Your Children to College*



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#### CANNIBAL TALK



*Honey, I don't feel like hunting tonight. Why not, instead, call our insurance agent saying we want to increase our coverage and EAT HIM when he arrives.*

## CLASSIFIED NETWORKING

### Accounting Services

**Kersi Bhesania**

412 Mt.Pleasant Road, Suite 101-102 Tel: (416) 487-6080

Charges under \$30 for most tax returns, special rates for seniors, students, recipients of unemployment insurance and social assistance.

**Theresa Capasso, Balanced**

**Books** (905) 842-7776

Personalized professional book-keeping services

**Sayed Hussain, Kaiserwar Accountants & Management Consultants** Scarborough (416) 361-0382

Complete accounting and management services.

### Real Estate

**Mike D'Mello, Associate Broker, Re/Max Elite Realty Ltd.** 245 Fairview Mall Drive, #108, Willowdale Tel: (416) 494-7653 or (905) 884-7174

**Surinder Kumar, Sales Representative, Century 21 Alpaca Realty Ltd.,** 2649 Islington Ave. Etobicoke Tel: (416) 743-7722

### Handyman

**Ravi, DilDan General Contractor** Scarborough (416) 339-8348 Pager Plumbing, electrical, renovations, repairs of small appliances, etc.

### Mortgages & Loans

**Sam Chinniah**

Scarborough Tel: (416) 492-2297 Consolidating of loans, mortgages, business finances, etc.

### Heating & Air-Conditioning

**Bedford Godinho, Scarborough** (416) 321-5593

Service, maintenance, repairs of heating and air-conditioning systems

### Fashion Wear

**Lubna, Scarborough** (416) 284-8879 Reasonable rates on exquisite fashion jewelry, shalwar kameez, sari suits, lehngas, etc.

## FUN WITH FIGURES

If you would like to check whether you have adequate insurance coverage use this simple method. For example, if you have \$50,000 insurance it will look like this:

1. Write the amount of insurance you have = \$ 50,000
2. Scratch 4 digits from the right = \$ 5
3. Multiply the balance by 2 = \$ 10

Within 1 to 2 dollars the answer you are left with will be the amount your beneficiary will receive per day, if he/she invests the amount at 8 per cent return.

(Approximately \$12 per day)

## QUARTER AND CENT SWITCH



Place two quarters and two cents in the spaces that have been provided in the picture above. In exactly eight moves you have to make the quarters and cents change places.

You MAY SLIDE or JUMP into an empty space next to it.

How soon can you solve this puzzle?

## How long will the money last?

Before you start drawing on investments in retirement, a little advance planning may be required to ensure that the money will last as long as you do. The table below can help. It shows, for example, that if the value of your retirement account grows at a rate of 8% a year and you are taking out 15% of your original capital each year, the money will last nine years. Cut your withdrawals to 10% and the money will not run out for 20 years.

You can also use the table to gear your withdrawals to how long you want the money to last. Suppose you decide assets must last 15 years and you estimate that they will grow at an annual rate of 10%. In that case, the table shows that you can withdraw roughly 13% of the value of your original capital each year. A dash means that at that rate of withdrawal, the money will never be exhausted.

If you think

your account will grow at this

rate

And you are withdrawing your original capital at this rate

	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%
12%	Here's how many years				—	—	—	22	17	14	12
11%	your money will last.				—	—	23	17	14	12	11
10%	—	—	—	—	—	25	18	15	13	11	10
9%	—	—	—	—	26	20	16	14	12	11	9
8%	—	—	—	28	20	16	14	12	11	9	9
7%	—	—	30	22	17	14	12	11	10	9	8
6%	—	33	23	18	15	13	11	10	9	8	8
5%	36	25	20	16	14	12	11	9	9	8	7

## PLANNING FOR

RETIREMENT DREAMS



## Take the bounce of personal cheques

Chequing Account customers who do not want to endure the embarrassment of bounced cheques or the cost of hefty NSF charges can sign up for bank services that allow overdrawn accounts.

But comparison shopping and reading the fine print are a must.

Customers can apply for overdraft protection at most banks by completing a statement outlining why this service is necessary. Usually, overdraft protection is granted if the customer can prove he has a fluctuating account.

Contact your bank manager for more details.

## When to start your kid's allowance

What's the right age to start a kid's allowance?

That was one question asked in a recent survey by US-based Money magazine. More than half of the respondents said the time to start is between five and seven, a fifth said between age seven and nine, 14% before five, 9% said older than nine, 3% said never.

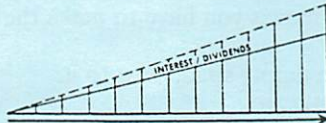
About 60% of those polled said allowances should be tied to doing household chores and two-thirds said kids should be encouraged to make charitable contributions out of allowances or savings.



## Why cash value life insurance?

### SAVE TO CREATE METHODS

(Banks, Bonds, Shares, Savings and loans etc.)



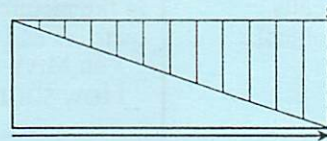
Money CAN be accumulated by this method....

1. If you always make deposits on a regular basis
2. If you never touch deposits until completion
3. If you never become disabled from sickness or accident
4. If you never suffer any losses
5. If taxes do not reduce your deposits
6. If you do not die before completion

This method requires: \* Great Self Discipline  
\* Excellent Health \* No losses \* No Taxes  
\* Time

### CREATE FIRST AND THEN SAVE THROUGH CASH VALUE LIFE INSURANCE

(Financial protection from death plus savings)



Money WILL be accumulated by this method, BECAUSE

1. We systematically remind you to pay your premiums.
2. Experience has shown your money remains in deposit.
3. If you are disabled, your policy's cash values continue to increase, just as if your premiums were still being paid.
4. It is guaranteed to increase in value each year.
5. Accumulations are not reduced by taxes.
6. If you die, it is automatically completed.

This method: \* Assists you with your payments and in maintaining your deposit \* Does not end when you disabled \* Increases in value each year  
\* Does not reduce your accumulation by taxes  
\* Puts time on your side because it creates the estate first.

### SUCCESS

If you have tried to do some - thing and failed, you are vastly better off than if you had tried to do nothing and succeeded.

Your contact for  
**Business & Family Insurance Planning, R.R.S.P., Children Education Plans (R.E.S.P.), Mortgage Insurance, Disability and Group Plans.**

**FRANCIS D'COSTA**  
New York Life

Tel: (416) 226-6515 (Bus.) or (416) 750-7379 (Res.)