

INDEPENDENT
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Money Matters

Taxation items for your interest

by KEN McCORMACK

RRSP Over-Contribution New Rules: The February 1995 Federal Budget changed the over-contribution limits for RRSP's. The previous limit of \$8,000 has been lowered to \$2,000 effective Jan. 1 1996. For those individuals who were using this tax item, care should be given to establish if you are in a penalty situation. The penalty is 1% per month on the excess over the proposed \$2,000.

Additional calculations will have to be made based on the pre and post February 1995 Budget to determine your allowable contribution. It is essential to keep good records as you may find that you are adding to the over contribution limits.

The LIF versus the RRIF: A Life Income Fund (LIF) will pay periodic income amounts which are variable until age 80, subject to minimums and maximum amounts.

A LIF is similar to a Registered Retirement Income Fund (RRIF) in that both contracts must be registered with Revenue Canada and qualify under the same Income Tax rules governing RRIF's.

Both contracts require that a minimum amount be paid out to the purchaser each year. However, the primary difference is that the RRIF does not limit the maximum payout in any year, since the entire fund or part of it could be paid out at any time. Because the LIF limits the maximum amount that may be paid out in any year, there will always be a balance in the Fund that must be converted to a life annuity by age 80, to ensure lifetime income. In the past, the only option available for Pension Plan members was to use their pension funds to purchase a life annuity. As a consumer, we now have an additional option to elect for our retirement income. Locked-in RRSP's now can be used more effectively in your retirement planning.

Statistics are showing that we are

an aging population. Our needs and wants continue to change. Planning for the future is very difficult. However, one thing is for sure, the amount of government support that we will receive may not allow us our accustomed lifestyle.

It is for that reason that RRSP's and other savings instruments must be used to help ourselves.

Mr. McCormack is the owner of K.A.M insurance and Financial Services.

Watch for 'Money Matters' throughout February

TIME IS RUNNING OUT!

RRSP deadline is February 29th.

Get yours today.

PEAK PERFORMANCE

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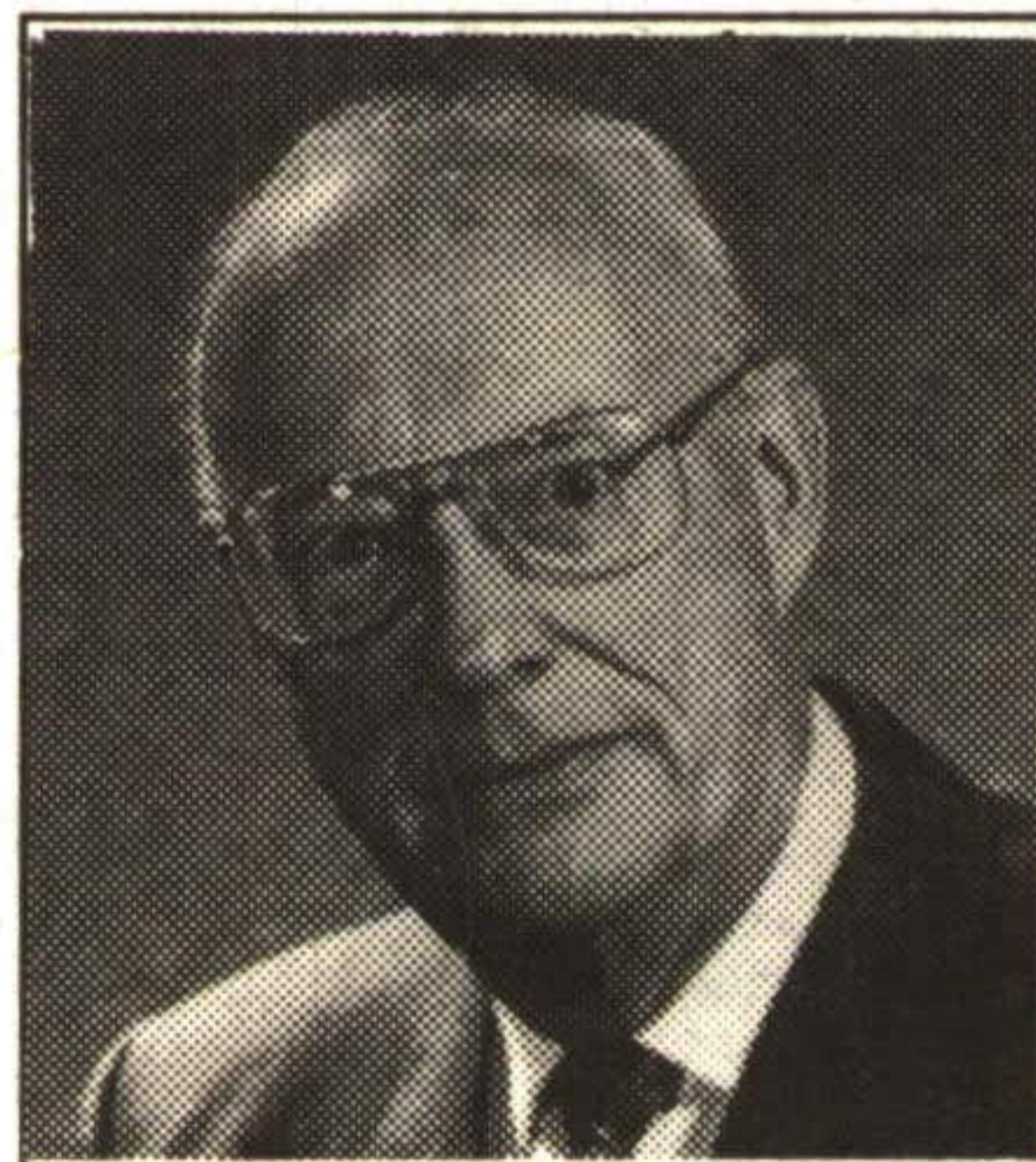
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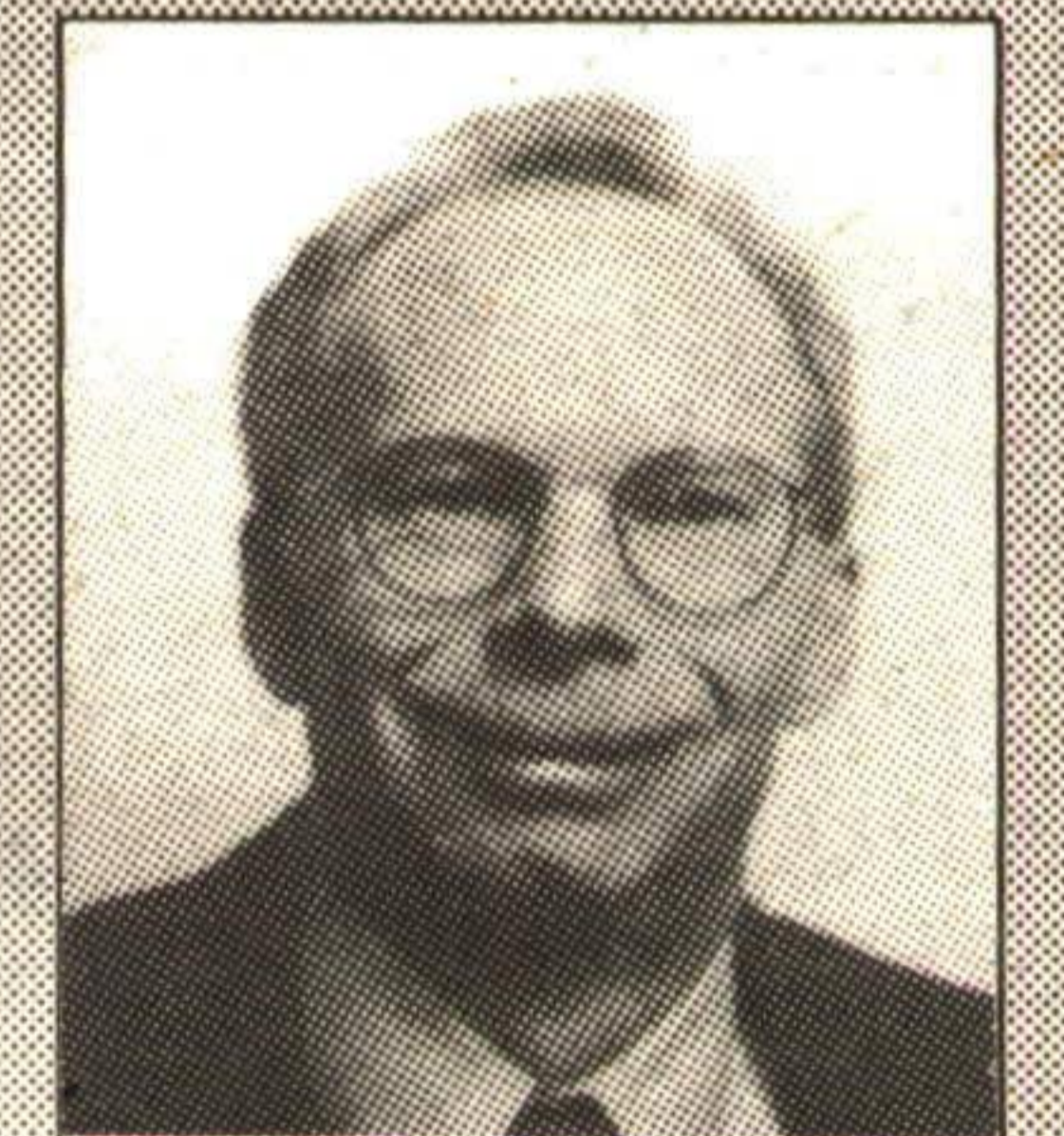
I can help with answers to these and other questions so that you can manage your finances in the best possible way to reach your goal of financial independence.

For more information with no obligation, call:

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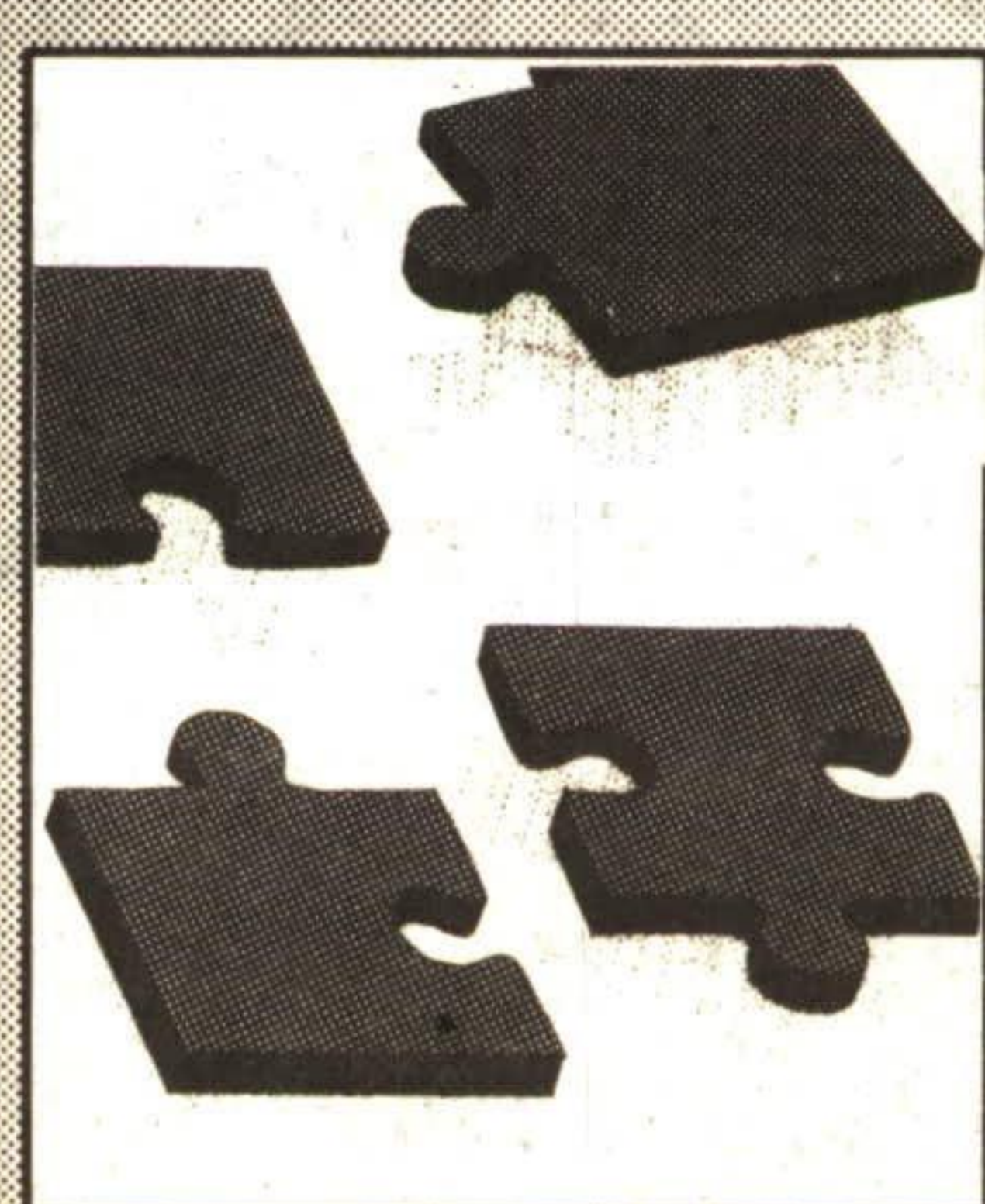
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