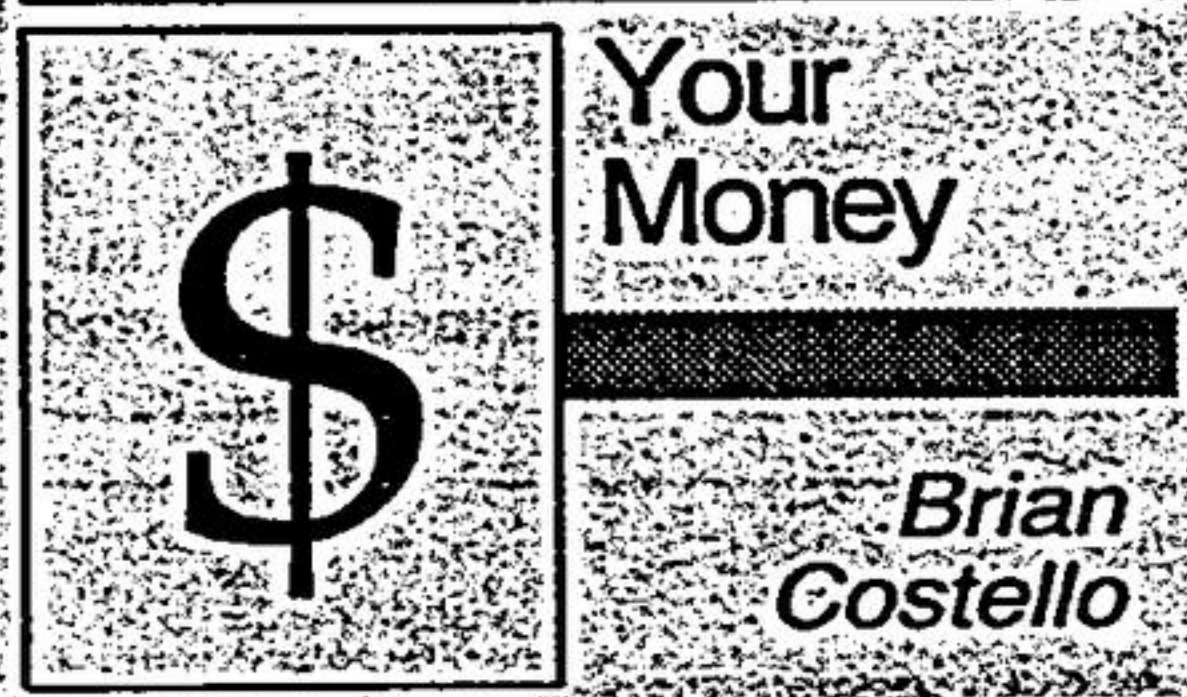


# Withdrawing from RRSP can be painless



Next year you have to pay about \$24,600 but get more than \$31,000 in tax deductions and from 1997 to 2000 you get another \$36,000 in tax deductions even though you make no payments. If the movie makes a profit, you also share in it. If it loses, you are already in the money.

Knowledgeable investors are removing amounts equal to the large tax deductions attached to these plans from their RRSPs. The tax deduction offsets the tax deduction. The money was removed effectively tax free.

If the investment produces an income you also are able to supplement your retirement income. You can never be sure that these investments will do that but one that has been successful is computer software limited partnerships like Jazmine from Basic Capital in Toronto. The rationale is that the software business in North America is a growth industry. But, because the computer world is changing so rapidly, Ottawa allows 100 per cent depreciation on computer software. With proper financial planning these deductions can be very useful.

While it's hard to make a case for not contributing to an RRSP, there are people who argue that the tax bill will only be higher when you remove the money, so why bother contributing in the first place. Those people often don't realize that many higher income Canadians know how to remove the money in their plans without paying any tax.

The easiest way to remove money tax free from an RRSP or an RRIF is to manufacture an equal and offsetting tax deduction. There's no argument that the money removed from your RRSP must be added to your tax return. In fact, the institution where you have your plan will be compelled to withhold taxes on the withdrawal, based on the amount removed. However, accountants and financial planners will be able to show you how you can manufacture a tax deduction equal to the money removed. That will make your withdrawal tax free. So, what type of deductions work?

The easiest are those that come before the net income line, as they will help you save taxes as well as offset the clawback of your social benefits. The best might well be those that produce quite large tax deductions in one or more years. It's also important to realize that Ottawa and the provinces are gradually eliminating this type of deduction. As a result, it's well worth your while to get them in place now, especially ones that give you multiple year's worth of tax deductions. That way you can plan in advance to remove some of the cash each year for a few years.

Historically, tax planning strategies put in place under existing rules are "grandfathered," that is, they won't be affected by future tax changes. As a result, it's even more important that we get several year's worth of tax planning strategies in place now.

There is one plan available that most taxpayers think has been cancelled. In fact, in the 1994 federal budget that seemed to be the case. And, in this year's budget it was confirmed. However, a few slip through the cracks. It's called a movie or entertainment limited partnership. In general terms you can get up to four dollars in tax deductions for every dollar invested.

One offering is referred to as LLE. If you invest \$13,600 this year, you get \$70,000 in tax deductions. No matter what happens to the movie, you are in the money in year one.



**FIT AND FUND:** Dr. D. Fibb (Marilyn Heydon) applies some first aid to fellow Markham Stouffville Hospital team member at opening night festivities for the Fit & Fun Corporate Challenge at Club Markham.

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Tires Plus offers a good deal more than just what their name implies - tires. The 3,300-sq-ft. facility provides complete automobile services including tune-ups, break services, air-conditioning services and alignments. Celebrating their fourth year in Markham, owner Robert Brown also brings over 21 years of related experience with him.

"I treat people the way I want to be treated," the owner says with a smile. "When I established this company I made a commitment to treat clients honestly, with respect and to offer them fair value for their money."

The Markham resident works with one other, full-time employee, Marc Nation and part-timer John Angeloni, to give the highest quality workmanship and service, he says. In addition, any repairs are done quickly and to the customer's satisfaction. Brown is a hands-on owner and takes a great deal of pride in the work Tires Plus offers.

"We really do offer personalized service and I believe that's why our clientele come from as far-flung places as Mississauga, Whitby, and Newmarket as well as Markham," he says. "People appreciate the fact that we're up-front in the way we do business."

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