



## Gifting the RRIF

Not long ago a person (we'll call him Ted) approached Lutheran Planned Giving with an unusual situation. "I have some money in a retirement savings plan (RRSP) that I won't need in retirement because my pension will be sufficient to live on. And I'm pretty sure my wife won't need the money either if I die first. I'd rather give it to the church than have 40% of it paid out in income taxes. What would you suggest?"

### The Plan

After investigating another option that proved to be impractical, we came back to the idea of simply retaining the funds in their registered state. These are the steps a donor would take:

- Change the beneficiary of the RRSP to the church today [Ted chose the Synod, because he's not sure his congregation needs or could manage a lump sum gift];
- Maintain the RRSP until the year he (or his spouse) turns 71, when the law requires him to start taking income;
- Convert it to a Registered Retired Income Fund (RRIF), and make the church the beneficiary;
- Take the minimum required withdrawals from the RRIF *and donate them each year to the church* [Ted plans to donate them to his congregation];

### The Assumptions

- Ted is currently age 60;
- The balance of the RRSP is currently \$10,000;
- The net investment returns on the RRSP and RRIF will be 5% per year (not guaranteed, but a rate Ted thought was achievable);

- Ted will live to the average life expectancy, which is 83 years.

### The Results

- Donations to the congregation during Ted's lifetime (total): \$12,500
- Final donation to the Synod at Ted's death: \$15,400
- Total donations from the retirement funds: \$27,900
- Income tax paid on the retirement funds: \$0

### The Advantages

- None of the donor's decisions are irrevocable. If Ted's current assumptions about not needing the money turn out to be false, he can spend the RRIF income or make his wife the beneficiary of the plan. Of course either decision would result in income tax owing, since money is taxed as it leaves the registered plan. But the options remain available if necessary.
- If all goes as expected, Ted will have left a very substantial legacy using assets that he does not need.

While not everyone has been blessed with surplus assets, many of us have been. Perhaps you, like Ted, will find this an appealing way to make a gift to the ministry you are most passionate about.

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