

PRODUCT FEATURES AND BENEFITS

Taxation

Taking advantage of segregated fund tax features

Taxation issues such as how segregated funds are taxed at maturity, at death and during the course of your Contract can be complex. To help you understand them better, here are some basics.

ANNUAL TAX TREATMENT: MUTUAL FUNDS VS. SEGREGATED FUNDS

In many ways, taxation of segregated funds is similar to that of mutual funds. However, there are many notable differences that may benefit you.

	Mutual Funds	Segregated Funds
Income Allocations	<ul style="list-style-type: none"> ■ Distribute and reinvest income earned by the funds (interest, dividends, foreign income, capital gains and capital losses) to unit holders. 	<ul style="list-style-type: none"> ■ Allocate income (interest, dividends, foreign income, capital gains and capital losses) to contractholders¹. An allocation does not result in an increase in units and corresponding drop in price.
Flow through capital losses	<ul style="list-style-type: none"> ■ Can only distribute net capital gains (not losses) to unit holders. Net capital losses will be carried forward within the fund to apply against future capital gains. 	<ul style="list-style-type: none"> ■ Ability to flow through net capital losses as well as net gains to contractholders. The result is the client can choose when to claim capital losses rather than the fund. These losses can be carried back three years or carried forward to future years.
Tax administration and reporting	<ul style="list-style-type: none"> ■ Unit holders required to maintain own tax information for annual tax filings. 	<ul style="list-style-type: none"> ■ Tax information is tracked and reported by the insurer on behalf of the contractholder, simplifying the annual tax-filing process.

TAXATION OF GUARANTEES AND BENEFITS PAID: THE TOP-UP

If the market value of the contract is less than the guarantee amount when your segregated fund matures (or in the event of your death), the fund issuers pay a top-up to you or your named beneficiary. That top-up will receive different tax treatment depending on whether it's a non-registered or registered fund.

	Non-Registered Segregated Fund	Registered Fund
Top-ups at Maturity	The top-up amount is taxable as a capital gain. If, however, you dispose of your interest at the time of the top-up, you would also realize an equivalent capital loss that would offset the gain and any tax impact for that taxation year.	At maturity, the actual deposit of the top-up funds into the account is not taxable but when the funds are eventually withdrawn from the RRSP or RRIF, the top-up amount will be included on a T4RSP.
Top-ups upon Death		At death, the top-up funds deposited into the account are not taxable. When the death benefit is paid to the named beneficiaries, the entire amount is reported on a T4RSP and the estate or spouse is taxed, as applicable.

WHO IS LIABLE FOR TAX?

Non-Registered Segregated Fund	Registered Fund
The owner (individual, trust or corporation) of the contract must report any income allocated to them from the fund every year. Any gains realized upon the death of the annuitant ¹ , or dispositions of the segregated fund contract, are taxable to the owner.	Assuming no spousal or dependent beneficiary rollover into another deferred income plan, the estate of the deceased must report the full value of the registered account on the final tax return. All other distributions from the registered plan are subject to income tax in the year of the distribution and that tax is payable by the registered plan owner.

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For more information regarding RBC Guaranteed Investment Funds, please speak with your advisor.



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This is a general summary of income tax considerations for Owners of Contracts who are Canadian resident individuals (other than trusts). You should consult your tax advisor about your individual circumstance.

¹ Contractholder refers to the owner of the contract and may be different from the annuitant for non-registered contracts. Annuitant refers to the person on whose life the guarantees and annuity payments are based. This summary has been prepared to help you make the most of investment opportunities available through RBC Guaranteed Investment Funds. Other summaries include: The Benefits of Segregated Funds, Creditor Protection, Estate Planning and Consumer Protection. Please contact your advisor to obtain copies.

Any amount that is allocated to a segregated fund is invested at the risk of the contractholder and may increase or decrease in value.

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