



## Pay less tax on your gratuity and keep more of your money. Sound good? Then let's talk.

Since gratuities are paid in a lump sum, they create extra taxable income, which is taxed at your marginal tax rate or top dollar earned. Fortunately, tax minimizing opportunities exist.

## That's where an Educators financial specialist can show you the tax-saving benefits of 'rolling over' your gratuity...

We have a longstanding history of working with the education community, which means we understand financial areas that are unique to you — such as your pay structure, pension plan, and retirement gratuity. What's more is that we can offer you educator-specific solutions in order to maximize the benefits that come from years of service to your profession, like making the most of your retirement gratuity by rolling all or part of it over into an RRSP.

## How much of your gratuity is eligible for the rollover?

The amount eligible for rollover is \$2,000 a year for each calendar year or part year of service you worked prior to 1996. Even if you worked a single day of occasional teaching during one of those years, it counts as a part year. For the remaining portion that is not eligible for the rollover, our financial specialists can help you choose further investment options tailored to your specific financial situation in order to maximize your gratuity and minimize tax.

➤ See reverse for a tax-reducing example of eligible rollovers

## Did you know...

Educators Financial Group has been offering complimentary financial planning plus a wide selection of investing and lending products and services, **exclusively to teachers, educational workers, and their families** since 1975. It is a strong history that has enabled us to become the education community's financial specialist, offering the solutions they need to achieve their financial dreams.



## Here's an example of how a rollover can reduce tax in the year of retirement

|  | Gratuity taken in cash | Gratuity rollover |
|--|------------------------|-------------------|
| Gratuity   | \$30,000               | \$30,000          |
| Salary (part year)                                 | \$50,000               | \$50,000          |
| Pension Income (part year)                         | \$14,000               | \$14,000          |
| Total Income                                       | \$94,000               | \$94,000          |
| Less offsetting deduction for gratuity rolled over |                        | \$30,000          |
| Taxable Income                                     | \$94,000               | \$64,000          |
| Approximate tax                                    | \$26,600               | \$14,550          |
| Tax reduction in year of retirement                |                        | \$12,050          |

The above example is for illustration purposes only.

### A tax-free rollover is generally advisable, as your annual income in the year you retire may be significantly higher than in subsequent years.

By rolling it over to an RRSP, you can avoid extra tax in that year and then control the amounts you withdraw as taxable income in future years, when you may be in a lower tax bracket. What's more, a rollover allows your money to compound on a tax-deferred basis within your RRSP until it is eventually withdrawn.

### Want to know more about rolling over your retirement gratuity into an RRSP?

Visit us online at [www.educatorsfinancialgroup.ca](http://www.educatorsfinancialgroup.ca) and click on 'PLANNING', then 'Gratuities' for in-depth information on the specifics of transferring (or rolling) over your retirement gratuity into an RRSP. You can also give us a call and one of our financial specialists will gladly answer your questions.

### Options for when to draw from your RRSP

Maximize tax-deferred growth within your RRSP by waiting until the year you turn 71 and are required to convert the plan.

Withdraw smaller amounts each year to level out your income and possibly stay in a lower tax bracket (especially before you begin receiving OAS and CPP).

### Sign up for eNews

Get educator-specific financial tips, and more — all to your email inbox! Sign up for Educators eNews at [educatorsfinancialgroup.ca/enews](http://educatorsfinancialgroup.ca/enews)

# Ready to get the retirement gratuity 'rollover' ball started?

Call us at **1.800.263.9541**

Commissions, trailing commissions, management fees and expenses may all be associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.