



Retirement Compensation Arrangement (RCA) Administrative Process

Phase 1- Plan Implementation

RCA Authorization form is completed by the Plan Sponsor and submitted to GBL Inc., at which time all required plan documentation is prepared for signature. Documents are either shipped to the financial advisor to coordinate signing, or directly to the client.

Signed documentation is either returned to GBL Inc. for submission, or is mailed directly by the Plan Sponsor to the RCA Unit of the Canada Revenue Agency. The RCA application is accompanied by a Trust Agreement, Plan Text, Actuarial Certificate and Board Resolutions (one accepting the plan and the other appointing the principal plan member, in most cases, as the Investment Manager). A complete set of signed originals is also provided to the financial advisor.

A non-registered account is established, with the RCA Trust (e.g. The XYZ Company Inc. RCA Trust for John Doe) being the applicant. Please do not provide SIN numbers of the plan members on the application.

The initial contributions to the RCA are made to the investment account, with a matching contribution to the Receiver General. Cheques with respect to refundable tax must be received no later than the 15th of the month following the deposit to the investment account. To avoid any confusion (and strict penalties), it is recommended the cheques are disbursed simultaneously.

The name of the RCA Trust, date of contribution (YYYY/MM/DD) and RC (Employer) account number must appear on the cheque. Remittance vouchers provided by the RCA Unit may be used, but expired vouchers may result in misallocation of the refundable tax (this can be avoided by simply including remittance information on the back of the cheque).

Receiver General

RCA Unit, Canada Revenue Agency

66 Stapon Road

Winnipeg, Manitoba

R3C 3M2

The RCA Unit will mail a statement of account to the Employer's Representative when the payment is received. Please note GBL Inc. is not copied on any correspondence between the RCA Unit and the Employer and/or Custodian's Representative.

Phase 2- Ongoing Administration

In early January, GBL Inc. will contact the financial advisor for details regarding the investment account (sample summary is attached), including confirmation of contributions made in the preceding year. An account statement providing both book and market values, along with any available supporting documentation (e.g. realized gain/loss report, fee schedule etc.) is also requested at this time.

GBL Inc. prepares Form T737-RCA Statement of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA) on behalf of the Employer, which is filed by the last day of February. The Retirement Compensation Arrangement Part XI.3 Tax Return is also prepared, on behalf of the Custodian, and filed by March 31.

In the event a net gain is realized by the investment account, GBL Inc. will provide instructions to the Custodian's Representative for remitting 50% refundable tax. The refundable tax *must* be withdrawn from the investment account, and is not to be paid directly by the company or the plan member. Should the financial institution not be capable of processing a third party cheque to the Receiver General, the Trustees will authorize a payment to the plan member who will in turn submit a personal cheque to the RCA Unit.

In the event of a net loss is realized in the investment account, the refundable tax account will refund 50% of the loss to the investment account (to the extent refundable tax has been remitted on realized gains in prior years). The refund cheque (received by the Custodian's Representative midyear following processing of the tax return) *must* be deposited to the investment account to avoid tax implications.

Copies of all filings are provided by GBL Inc. to the Custodian's Representative as well as the financial advisor once the annual administration is complete.

Phase 3- RCA Distributions

On, after or in contemplation of an employee's retirement, an employee's loss of an office or employment or any substantial change in the services the employee provides the Trustees may authorize commencement of distributions from the RCA Trust. GBL Inc. will prepare the Trustee Resolution authorizing monthly, annual or lump sum payments.

GBL Inc. will prepare and file Form T735 Application for a Remittance Number for Tax Withheld from a Retirement Compensation Arrangement (RCA). The Custodian's Representative will be notified by mail when the remittance number is assigned (a 9 digit number ending with RP0001). This number is to be referenced on the cheque for withholding tax, which is to be received by the RCA Unit no later than the 15th of the month following the distribution.

The required withholding tax is 30% of the gross distribution, but can be more (at the discretion of the plan member's accountant). Should the financial institution not be capable of processing a third party cheque to the Receiver General, the gross payment is disbursed to the plan member who will in turn submit a personal cheque to the RCA Unit for the withholding tax.

GBL Inc. prepares the T4A-RCA Slips and Summary, which are filed with the RCA unit by the last day in February, and provides the plan member with two copies of the T4A-RCA slip for gross distributions received in the preceding tax year. One copy is included with the T1 Tax Return, and the other copy is retained for the plan member's files.

Gross distributions are reported on the Retirement Compensation Arrangement Part XI.3 Tax Return and, when processed, 50% of the gross distributions (+/- the allowance for realized gains/losses) are refunded to the investment account. While the refund is mailed to the Custodian's Representative, the cheque is payable to the RCA Trust and *must* be deposited in the investment account to avoid tax implications.

Final Phase- Plan Termination

At anytime, the assets that remain in the investment account can be paid in full to the plan member (net of withholding tax). When no monies remain in the account GBL Inc. is notified and a final tax return, along with T4A-RCA Slips for the final payment from the investment account and pending payment of refundable tax, is prepared and filed with the RCA Unit. The monies received from the investment account, as well as the payment of remaining refundable tax, are considered taxable income in the year received.

Once the final tax return is processed, a cheque for the remaining refundable tax is mailed to the Custodian's Representative (net of withholding tax). The cheque is to be deposited to the investment account and then paid out in full to the plan member, at which time the investment account is closed and the termination is complete.

Building **your** future

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