

Pension Splitting – An Analysis of the Legislation

On October 31, 2006, Finance Minister Flaherty first announced pension splitting proposals that will be effective for the 2007 and later taxation year. These measures were included in Bill C-52 that received Royal Assent on June 22, 2007. These new rules represent a major departure from tax policy: the introduction of a new income splitting regime for spouses (or common-law partners) (albeit only for retirement income).

This represents a new paradigm to financial and tax practitioners, and has wide application. To be entitled to split, one of the spouses (or common-law partners) needs to have a source of “eligible pension income”.¹ There is no age limit. This means many Canadians could begin receiving income qualifying for the split (for example, life annuity payments from a pension plan) while they are still in their 50’s. These amounts qualify for the split – whether or not the person is employed elsewhere (or is consulting). It is not necessary to have retired - only to be in receipt of eligible income.

Taxpayers who understand these rules may enjoy significant tax savings and can apply them to minimize tax (including any Old Age Security claw-backs). The table below illustrates the impact.

Federal Tax Savings for Couple in 2007 (Both Age 65) – As Calculated by Finance (see Note 1)						
Higher-Income Spouse’s Eligible Pension Income	\$50,000		\$75,000		\$100,000	
Lower-Income Spouse’s Eligible Pension Income	Total Impact	% Reduction in federal tax (See Note 2)	Total Impact	% Reduction in federal tax (See Note 2)	Total Impact	% Reduction in federal tax (See Note 2)
\$00,000	\$2,586	29%	\$5,122	36%	\$7,439	37%
\$10,000	1,301	12%	4,011	25%	5,130	23%
\$20,000	492	4%	3,312	18%	2,872	12%
\$30,000	460	4%	2,241	11%	1,304	5%
\$40,000	460	2%	1,303	5%	158	1%
\$50,000	N/A	0%	341	1%	N/A	N/A
\$60,000	N/A	N/A	N/A	0%	N/A	N/A

Note 1: Table assumes each taxpayer is receiving maximum OAS benefits (assumed to be \$5,954). The couple is assumed to be sharing CPP benefits. CPP benefits are assumed to be lesser of assumed maximum benefits for 2007 (\$10,298) and 5/12ths of eligible pension income. There are no other sources of income.

Note 2: Federal tax reduction includes savings from reduced clawback of Age Credit and OAS benefits, as well as pension splitting.

Here let’s assume that each spouse is age 65 and receives (and shares) CPP/QPP and also receives the maximum OAS. If, for example, the high-income earner had “eligible pension income” of \$75,000 that he could split and his spouse did not have any “eligible pension income”, the savings at the federal level would be \$5,122. (Tax savings at the provincial level will increase his total savings.)

In this example there are significant savings. Remember that this \$5,122 is after-tax money and that this is not a one-time savings, but represents potential annual savings. It is as if the couple had found almost

¹ See definition of “eligible pension income” in subsection 60.03(1) of the Income Tax Act (Canada) (“ITA”).

\$100,000 and bought an annuity with the amount. It is equivalent to the after-tax cash flow from this annuity.²

The pension splitting draft legislation originally tabled as part of Bill C-52 on March 29, 2007 was enacted without any revisions to it.

Pension splitting will produce tax savings for the couple where any of the following four occur:

- Income is shifted to a spouse (or common-law partner) who is in a lower tax bracket;
- The “claw back” (repayment) of Old Age Security (OAS) benefits is reduced or eliminated;
- The “claw back” (reduction) of the Age Amount Credit is reduced or eliminated, and;
- The spouse (or common-law partner) being allocated the income now has access to the Pension Credit where this previously was not the case;

Of course, taxpayers who are age 65 or older will potentially enjoy the largest savings, since being able to reduce (or even eliminate) the OAS and Age Amount “claw-backs” is an issue affecting this group. This group also has easier access to the Pension Credit.

Residents of Quebec file separate tax returns for Quebec provincial tax purposes and Quebec is introducing similar rules for pension splitting, as well as some exclusive to Quebec. Refer to Section XI for a discussion of these rules.

I. Individuals Qualifying to Income Split

In order to maximize the tax savings opportunities, we need to understand who qualifies for income splitting, and what amounts may be split.

Let’s first look at who may do the splitting. The new legislation contains some new definitions. It includes a “pensioner” as well as a “pension transferee”.

A “pensioner” is an individual resident in Canada on December 31st, or if the person dies in the year, immediately before his death.³ This individual must also receive “eligible pension income” in the taxation year (see discussion in Section II). By no means is a “pensioner” just someone receiving a life annuity from a pension plan. The sources of income that this person may have are much broader.

The “pension transferee” is the person to whom the income is allocated for tax purposes. This individual must also be resident in Canada on December 31st. (If the individual died in the year, he or she must have been resident in Canada immediately before death.)

Furthermore, the “pension transferee” must at any time in the taxation year be married to or be in a common-law relationship with the “pensioner”. (An individual cannot be a “pension transferee” if there was a breakdown of the marriage or common-law partnership, and because of this, the individual was living separate and apart from the “pensioner” at the end of the taxation year and for a period of at least 90 days commencing in the taxation year.)⁴

There are no age requirements here. The “pensioner” does not need to be age 65. Pension standards legislation of the appropriate jurisdiction governs at what age a registered pension plan may begin to pay

² If on April 10, 2007, a couple (each born on Jan. 1, 1942) had acquired a joint-life annuity on a prescribed basis for \$98,000, assuming no guarantee period, the annual annuity benefit commencing on May 10, 2007 would have been \$5,808. Taking into account estimated taxes of \$664 (40% on the taxable portion of \$1,660), this couple would net \$5,144.

³ See definition of “pensioner” in subsection 60.03(1) of the ITA.

⁴ See definition of “pension transferee” in subsection 60.03(1) of the ITA.

a pension benefit. In some jurisdictions (e.g., Ontario), individuals who are less than age 55 may be able to draw a pension. This “pensioner” could split the pension income, whether or not he or she is actively employed somewhere else. There is no requirement that the person be truly “retired”.

II. Eligible Pension Income (Amounts Qualifying for Splitting)

The new rules introduce a new term – “eligible pension income”. Only amounts qualifying under this new definition may be split.

Interestingly enough, while we have this new definition, it simply makes reference to the provisions of the existing legislation containing the definitions of “pension income” and “qualified pension income”. Since “pension income” and “qualified pension income” are the definitions that are relevant for determining what qualifies for the pension credit, the new legislation essentially provides that if a pensioner receives amounts qualifying for the pension credit, it is these same amounts that may be split under the new rules.

When we look at the definition of “pension income” (i.e., the type of income that someone who is at least 65 years of age at the end of the year must receive to currently qualify for the pension credit), the following qualify:

- A life annuity out of or under a pension plan;
- An annuity under a Registered Retirement Savings Plan (RRSP), or “amended plan”;
- A payment out of or under a Registered Retirement Income Fund (RRIF), or “amended plan”;
- A payment from a Defined Contribution Registered Pension Plan that is similar to a RRIF;
- An annuity payment under a Deferred Profit Sharing Plan (DPSP), or a “revoked plan”;
- Certain installment payments from a DPSP;
- Certain annuity payments in excess of the capital element included therein (including prescribed annuities offered by insurers), and;
- Non-prescribed annuities offered by insurers (including life annuities and term-certain annuities).⁵

For “qualified pension income” (i.e., the type of income that someone who has not attained age 65 at the end of the year must receive to currently qualify for the pension credit), the following qualify:

- A life annuity out of or under a pension plan;
- All other amounts on the above list, provided that they are received as a consequence of the death of the spouse or common-law partner.⁶

The 2007 Federal Budget added a deeming rule, which provides that bridging benefits from a registered pension plan are to be considered life annuities under a pension plan and thus qualified pension income.⁷

While the above lists are brief, there are plenty of traps for the unwary. Please read *Amounts Qualifying for the Pension Credit* [PC 6096] to learn more. This same document also outlines specific exceptions to the pension credit rules.

Someone under 65 would not want to be in the position of having a source that would qualify for the pension credit, and hence pension splitting, and then lose access to both. For example, where amounts are transferred from a pension plan to a locked-in RRSP, from which the funds are then used to purchase an annuity, the resulting payments are not qualified pension income. These annuity payments will only qualify for the pension credit once the taxpayer attains age 65, at which time they meet the “pension income” definition.

⁵ See subsection 118(7) of the ITA for a definition of “pension income”.

⁶ See subsection 118(7) of the ITA for a definition of “qualified pension income”.

⁷ See paragraph 118(8.1) of the ITA.

Also, when we look at the above list, we see that registered plans (RRSPs, RPPs and DPSPs) represent potential sources. However, from a careful reading it becomes apparent that the payment from an otherwise qualifying source needs to take a specific form in order to qualify.

Please refer to *Amounts Qualifying for the Pension Credit* [PC 6096] for a detailed discussion of what qualifies.

III. Allocation Limited to a Maximum of 50% of Otherwise Eligible Amounts

Once the amount of the “eligible pension income” is known, it's time to determine the actual amount that is to be allocated to the other spouse (or common-law partner), i.e. the pension transferee.

The new legislation contains another new definition – the “split-pension amount”.⁸ This is the amount that under the new rules the “pensioner” has allocated to the “pension transferee”.

The payment stream is unaffected – the pensioner does not instruct the payor of the retirement income to issue separate cheques (This is very different from what happens when a couple decides to share CPP/QPP.)

The new legislation provides that the spouses (or common-law partners) must jointly elect in prescribed form each taxation year.⁹ This is a necessary step, as taxpayers are shifting income, and the associated tax liability, to their spouses. The allocation is to be made on the tax return. Canada Revenue Agency (CRA) has indicated that a new form – *Form T1032, Joint Election to Split Pension Income*, will be issued by it before January 2008. This form must be completed by both parties and filed before the tax filing due date.¹⁰ The election is made annually so that each year the couple is able to determine what is most beneficial.

A pensioner is limited to one election per year.¹¹ (The election will be invalid if either of the parties to the election has knowingly or under circumstances amounting to gross negligence made a false declaration.¹²)

There is a cap on the amount that may be split:

$$0.5A \times B/C$$

where

- A is the pensioner's eligible pension income for the year,
- B is the number of months during the taxation year during which the two parties were married to each other (or were in a common-law partnership)
- C is the number of months in the pensioner's taxation year¹³

If a couple were married throughout the year, the pensioner would calculate his or her total “eligible pension income” for the year from all sources. Let's assume that John (age 65) received pension benefits of \$30,000 and RRIF payments of \$6,000. Based on eligible pension income of \$36,000, up to one-half of this amount (or \$18,000) could be allocated to his spouse Susan.

Proration rules come into play if the pensioner's marital status changes in the year, or he dies in the year. Let's assume that Amanda (age 56) plans to marry Joe on June 30, 2007. Of the \$24,000 pension

⁸ See definition of “split-pension amount” in subsection 60.03(1) of the ITA.

⁹ See definition of “joint election” contained in subsection 60.03(1) of the ITA.

¹⁰ See Q.5 of the Canada Revenue Agency Notice: Pension Income Splitting, as issued on July 18, 2007.

¹¹ See subsection 60.03(3) of the ITA

¹² See subsection 60.03(4) of the ITA.

¹³ See definition of “split-pension amount” in subsection 60.03(1) of the ITA.

benefit that she anticipates receiving in 2007, the maximum she could allocate to Joe would be \$6,000 [calculated as (50% of \$24,000) x 6/12].

IV. Impact on Net Income

The new legislation specifically provides that once the “split- pension amount” has been determined, the net income of the pensioner will be decreased by this amount.¹⁴ Likewise, the net income of the “pension transferee” increases by this amount.¹⁵ CRA has indicated that the tax returns will be amended for 2007. There will be a new line where the pensioner deducts amounts allocated to the spouse or common-law partner. There will be another new line where the pension transferee includes the allocated amount in his or her income.¹⁶

Net income is important for a number of provisions in the tax legislation, including the OAS claw-back and the Age Amount credit.

V. Old Age Security Claw-back

Seniors receiving OAS benefits are familiar with the claw-back mechanism for amounts paid under the *Old Age Security Act* (i.e., the OAS pension, supplement or spouse’s allowance). Where a taxpayer’s 2007 net income exceeds \$63,511, for each \$1 above this threshold amount, \$0.15 of the OAS has to be repaid when the taxpayer files his or her tax return.¹⁷ (At approx. \$102,900, the full amount of the 2007 OAS benefits will be clawed back.¹⁸)

Thus, where a taxpayer is able to reduce his or her 2007 net income to below \$63,511, the claw-back is eliminated. This taxpayer’s monthly cash flow will improve, as the government will not be reducing the monthly OAS benefits to take into account the anticipated claw-back.¹⁹ This adjustment is typically made in July.

Let’s look at John who has net income of \$70,000 in 2007. Since his net income exceeds the threshold amount of \$63,511 by \$6,489, his OAS benefit will be reduced by 15% of this amount, or \$973. With the pension splitting rules, John has the ability to eliminate the claw-back by allocating income to his spouse (or common-law partner). Of course, we want to be sure that we are not pushing the spouse (or common-law partner) into claw-back territory!

VI. Age Amount Credit

As part of the Tax Fairness Package, the amount on which the Age Credit is calculated increased by \$1,000 to \$5,066, effective January 1, 2006.²⁰ When we take indexation into account, the amount for 2007 becomes \$5,177. Thus, this non-refundable tax credit is worth \$803 at the federal level (that is, 15.5% of \$5,177), prior to its claw-back.

As permitted by the Tax on Net Income (TONI) system, the provinces are able to set the Age Amount for purposes of calculating the provincial non-refundable credit.

¹⁴ See paragraph 56(1)(a.2) of the ITA.

¹⁵ See new subsection 60(c) of the ITA.

¹⁶ See Q.5 of Canada Revenue Agency Notice: Pension Income Splitting, as issued July 18, 2007.

¹⁷ See subsection 180.2(2) of the ITA.

¹⁸ See <http://www.rhdsc.gc.ca/en/isp/oas/oasrates.shtml>

¹⁹ See subsection 180.2(4) of the ITA.

²⁰ See subsection 118(2) of the ITA.

Access to the Age Credit Amount is tied into net income. For each \$1 of income above a threshold amount (\$30,936 for 2007), the age amount is reduced by \$0.15. (At a net income of \$65,449, the Age Amount would be clawed back in its entirety).

Again, the pension splitting rules provide an opportunity for the reduction and elimination of this claw-back.

VII. The Pension Credit and its Potential Doubling

The pension credit may be claimed in respect of a maximum of \$2,000 of “eligible pension income” that a taxpayer has received at any time in a taxation year.²¹ A taxpayer who is age 65 or over in a taxation year can claim the pension credit for “pension income” of up to \$2,000 received at any time in the year.²² The tax credit is calculated as 15.5% of this amount in 2007. Thus, for 2007, the credit is worth \$310 for federal tax purposes.

A taxpayer who is less than age 65 at the end of the taxation year can claim the pension credit for “qualified pension income” of up to \$2,000 received at any time in the year.²³ The potential tax savings is the same as for those who have attained age 65, yet as explained in our companion piece, fewer sources of income qualify.

The provinces and territories are free to set their own tax brackets and amounts on which tax credits are calculated. As we write this, only one jurisdiction (Yukon) has increased the amount on which it calculates the tax credit to \$2,000. Several had, however, previously indexed the \$1,000, and thus provide a credit on somewhat more than \$1,000.

When the Tax Fairness Plan was first announced, information on how pension splitting would impact Pension Credit claims was not available. This was clarified with the release of the legislation. To determine the impact, it’s important to understand the interplay of the draft legislation with the existing provisions dealing with the pension credit.

First, a new provision states that where an election has been made in a year, the “pensioner” is deemed not to have received the “pension income” or “qualified pension income” that forms part of the “split-pension amount” allocated to the spouse (or common-law partner).²⁴

Instead, the “pension transferee” is deemed to have received “pension income, to the extent that the split-pension amount was “pension income” to the pensioner, and as “qualified pension income”, to the extent that the split-pension amount was “qualified pension income” to the pensioner”.²⁵ It is important to understand that the character of the income (i.e., whether it’s “pension income” or “qualified pension income”) does not change because of an allocation.

Next, we look at the pension credit provisions.²⁶ Remember here that there are different rules for those who have attained age 65 by the end of the year, and those who have not. The former group can claim the pension credit on “pension income” received in the year. The latter group can claim the pension credit on “qualified pension income” received in the year.

Let’s look at a few examples in order to see whether couples are able to double the pension credit by pension splitting. Where the individual to whom the income is being allocated is not already eligible to claim the pension credit, the pension splitting rules provide a real benefit where this claim can now be made.

²¹ See subsection 118(3) of the ITA.

²² See part (a) of the definition of “eligible pension income” contained in subsection 118(7) of the ITA.

²³ See part (b) of the definition of “eligible pension income” contained in subsection 118(7) of the ITA.

²⁴ See paragraph 60.03(2)(a) of the ITA.

²⁵ See paragraph 60.03(2)(b) of the ITA.

²⁶ See subsections 118(3) and (7) of the ITA.

Example 1: John (Age 65) (Receives Life Annuity from Pension Plan) & Samantha (Age 58)

Let's look at 65-year old John whose only "eligible pension income" is a life annuity of \$20,000 per annum from a pension plan. This is both "pension income" and "qualified pension income" to John. Since he is age 65, his claim for the credit is as "pension income" to him. He allocates the maximum \$10,000 to his 58-year old common-law partner Samantha. (John can claim the maximum pension credit since he has retained \$2,000 of "pension income".)

Remember here that Samantha is not yet age 65. Thus, she can only claim the pension credit on what is considered "qualified pension income". As a life annuity from a pension plan, it is "qualified pension income" to John (as well as being "pension income" which is redundant here) and Samantha has "qualified pension income" and can claim the credit on the income allocated to her. Had the source been a RRIF, for example, it would not be "qualified pension income" to her and she would not be entitled to the credit.

Example 2: Barbara (Age 58) (Receives Life Annuity from Pension Plan) & Steve (Age 54)

Let's look at another example. This time we have 58-year old Barbara who is receiving a life annuity under a pension plan of \$18,000 per annum. Since she has not yet attained age 65, the \$18,000 represents "qualified pension income".²⁷ She is able to claim the pension credit, as there is no age-65 requirement for "qualified pension income".²⁸

Barbara allocates only \$8,000 to her 54-year old husband Steve. The \$8,000 he receives is deemed to also be "qualified pension income". He is also able to claim the \$2,000 pension credit, since there is no age-65 requirement for "qualified pension income".²⁹ This couple was able to double their access to the pension credit.

Example 3: Amanda (Age 67) (Acquired a Non-Registered Prescribed Annuity) & Mark (Age 68)

Let's look at a third example. On April 11, 2007 Amanda who is age 67 acquires a non-registered prescribed annuity providing monthly benefits of \$1,400 (\$16,800 per annum). For 2007 (a part year), the taxable portion is approximately \$2,800. Starting with 2008, the first full year, the taxable portion will be approximately \$4,300.³⁰ The taxable portion of the non-registered annuity is considered "pension income".³¹ She is able to claim the pension credit.³²

She allocates 50% to her 68-year old husband Mark, who will be deemed to also have "pension income". Since he is over age 65, he qualifies for the pension credit.³³ Thus, where Mark did not already have amounts qualifying for the pension credit, the pension splitting rules will give him access.

VIII. Impact on Taxes Withheld at Source

Because of pension splitting, many couples will receive large refunds when they file their tax returns. Of course, the logical question that will arise is whether it will be possible to request the payor to withhold a smaller amount of tax at source – perhaps under the "undue hardship" rules.³⁴

²⁷ See definition of "qualified pension income" in subsection 118(7) of the ITA.

²⁸ See part (b) of the definition of "eligible pension income" in subsection 118(7) of the ITA.

²⁹ See above.

³⁰ Based on a quote obtained on April 11, 2007 for a female (DOB January 1, 1940) investing \$231,000 on April 11, 2007. Monthly benefit will be \$1,400, starting May 11, 2007. 0 guarantee period assumed.

³¹ See the definition of "pension income" in subsection 118(7) of the ITA.

³² See part (a) of the definition of "eligible pension income" in subsection 118(7) of the ITA..

³³ See above.

³⁴ See subsection 153(1.1) of the ITA.

Unfortunately, the legislation contains a specific provision that provides that the excess withholding resulting from pension splitting cannot be used as a basis for making a request under the “undue hardship” rules.³⁵ Thus, required source deductions will be unaffected.

IX. Reallocation of Amounts Withheld at Source

The new legislation provides for a reallocation of amounts withheld at source on income that is split. Under these rules,

“... the portion of the amount deducted or withheld ... that may be reasonably considered to be in respect of the split-pension amount is deemed to have been deducted or withheld on account of the pension transferee’s tax ... and not on account of the pensioner’s tax for the taxation year ...”³⁶

Taxes will be reallocated as part of the tax return filing process. CRA has indicated that “the income tax that is withheld at source ... will have to be allocated ... in the same proportion as the pension income is allocated”.³⁷ It is not known whether this will be done on a jointly-filed election, or whether some other method will be used.

This rule is welcome, since it alleviates cash flow concerns. It means that we will not have a situation where one spouse (or common-law partner) (presumably the pensioner) is in a position of having to wait for a refund, while the other (presumably the pension transferee) needs to find some other source of funds for the payment of the tax.

X. Joint and Several Liability for the Taxes

Let’s assume that because of the pension splitting a pension transferee’s income taxes increase by \$2,500. The legislation provides that the couple is jointly and severally, (or solidarily under Quebec provisions), liable for this \$2,500. Thus, where Sam allocates income to his spouse Susan, and this causes her taxes to increase by \$2,500, Sam is liable for Susan’s taxes, should she not be able to pay them. (He is not, however, liable for other taxes owed by her.)

XI. Special Quebec Rules

Quebec is not part of the Tax on Net Income (TONI) Agreement that the Common Law provinces have with the federal government. Unlike the Common Law provinces, it is free to set its own rules for determining taxable income. In his 2007 (Quebec) Budget Speech, Finance Minister Michel Audet affirmed the Quebec government’s commitment to the pension splitting announcements made on December 5, 2006.³⁸

On December 20, 2006, Quebec announced that it would amend its tax legislation and regulations to incorporate pension splitting. However, this measure will only be adopted once the federal laws are assented to (or regulations are adopted).³⁹

At the same time, Quebec announced some additional technical details, including the following:

³⁵ See subsection 153(1.3) of the ITA.

³⁶ See subsection 153(2) of the ITA.

³⁷ See Q.6 of Canada Revenue Agency Notice: Pension Income Splitting, issued July 18, 2007.

³⁸ See page 14 of the 2007-2008 Budget Speech delivered by Michel Audet, Minister of Finance, on February 20, 2007.

³⁹ See page 35 of Information Bulletin 2006-6 – Adjustments to Various Fiscal Measures and Harmonization with Federal Legislation, as released by Finances Quebec on December 20, 2006 (Information Bulletin 2006-6).

- The splitting will only be available for eligible spouses, both of whom have to reside in Canada at the end of the taxation year;
- A tax-exempt person cannot be considered an eligible spouse;
- Eligibility for the pension credit under the federal system determines eligibility for splitting in Quebec;
- The election made for Quebec purposes does not have to be identical to that made for federal purposes (except in the situations discussed below);
- Income allocated under these rules will enter into the determination of the tax credit for a person living alone, with respect to age and for retirement income;
- Where an election is made, it can neither be revoked nor changed, unless both parties agree;
- Income allocated under these rules will be added to or deducted from total income used to calculate the 1% contribution to the Health Services Fund (HSF), and
- The “pensioner” is required “solidarily”, with the “pension transferee”, to pay the tax and the 1% HSF contribution.⁴⁰

As indicated above, Quebec will generally allow a Quebec resident to make a different election for Quebec purposes than he or she made for federal purposes. This will allow Quebec residents to optimize both federal and provincial taxes.

There are, however, situations in which different elections cannot be made. Where one of the parties (either the “pensioner” or “pension transferee”) resides outside Quebec, the resident of Quebec must use the amount determined for federal tax purposes in preparing his or her Quebec tax return.⁴¹

Note that the Quebec rules contemplate allowing someone who ceases to reside in Canada to split income in their departure tax return, whereas the federal rules did not contemplate this.⁴²

XII. Summary

Canada’s retirees/pensioners will benefit from the new pension splitting rules. Many will enjoy lifestyle enhancements thanks to the tax savings the rules will provide. The potential savings are significant.

Insurers offer a wide range of products qualifying for the pension credit, and hence pension splitting. The potential creditor protection and potential probate fee savings offered by many of these products, when combined with the potential they offer for tax savings under the proposed pension splitting rules, makes these products attractive.

The enactment of the legislation has removed any uncertainties relating to the application of these rules for the 2007 and later taxation years. Tax advisors and financial planners will want to have a good understanding of these new rules so that they are able to provide the appropriate advice to their clients.

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⁴⁰ See pages 35 – 38 of Information Bulletin 2006-6.

⁴¹ See page 36 of Information Bulletin 2006-6.

⁴² See page 36 of Information Bulletin 2006-6.