

## **Issues Surrounding Canadian RRSP's After Aliyah**

The complexity of the **Israel/Canada** investment and taxation situation requires some understanding. Ottawa introduced the Registered Retirement Savings Plan (RRSP) in 1957 to give Canadians more incentive to save for retirement. Because of the preferential tax treatment that it receives, an RRSP is a highly effective way to build a pool of assets for retirement. The RRSP allows one to defer taxes on some of one's earned income. In fact, one can effectively achieve a "tax-free rollover" of income to one's RRSP because of the up-front tax deduction the government allows. Furthermore, as long as the funds remain within the RRSP, investment returns are not taxable until one reaches the age of 71. The RRSP converts to a Registered Retirement Income Fund (RRIF) and at that point funds need to be withdrawn each year and are taxed as pension income.

It appears that the **Israel tax authority** could view the RRSP as "an investment account" and not a legitimate pension vehicle and as such could be subject to the same taxation criteria. Up to now this has not been enacted upon but the risk remains. The Stern Team is aware of this and places special emphasis on the need to structure the portfolio in a manner so as to minimize taxation.

Another issue is the viability of Canadian financial institutes dealing with clients with an Israeli address. Compliance and legal advisors within these firms either refuse or restrict many investment options to Israeli-resident clients. Most Canadian investment advisors are not aware of this fact and in practice are forced to leave investments "as is" at the expense of perhaps more attractive opportunities.

Philip Braude of the Anglo Capital Financial Services Group and Martin Stern of CIBC Wood Gundy have taken note of these pitfalls and together have devised an approach to account for these complexities.

Martin Stern is a senior executive at CIBC Wood Gundy. He and The Stern Team have been involved in the Wealth Management business for almost a quarter of a century. Martin himself travels to Israel at least twice a year to visit clients as well as to enjoy the Jerusalem and Israel experience.

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