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The Initiative is a monthly case study and information brief for distribution partners of The Empire Life Insurance Company (Empire Life). Details are edited to illustrate relevant financial, tax & estate planning principles, generally using the Federal context. This material is current to the year and month of issue (Vol. yy, No. mm) but is not a tax or legal opinion. Retained profession advice should be engaged in relation to any actual Client matters.

The Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team provides broker support, including seminar education, advanced concept illustrations & Client case consultations.

Marilyn deRooy, CA, CFP, TEP, EPC is a member of STEPUP. She focuses on legal, tax & estate planning concepts, and guidance for related product strategies.

**Ready to discuss estate planning and client wealth strategies that matter to you and to your clients, please contact your Account Manager**

## Turning Interest Income Into Pension Income

Interest income, generated from Guaranteed Investment Certificates (“GICs”), is reported as “interest from Canadian sources” in Box 13 of a T5 slip and fully taxable on your personal income tax return.

Empire GIO’s, as guaranteed investment accounts sold under the Insurance umbrella, are subject to special rules under the Income Tax Act (“ITA”), Section 12.2 to be specific. Amounts reported pursuant to ITA Sec 12.2 qualify as “pension income” for taxpayers who are age 65 or older at the end of the year, making them eligible for the Pension Tax Credit of \$2,000.

Insurers report this annual policy accrual income as “Accrued Income: Annuities” in Box 19 of the T5 slip. This is how interest income becomes “pension income” once an individual turns age 65.

And, with the new Pension Splitting Rules, there is a spin-off benefit that this income can be split with a spouse thereby doubling use of the \$2,000 pension credit, if the spouse is at least 65 years old.

	Empire GIO	Bank GIC
Guaranteed Interest income	★	★
Beneficiary Designation	★	
Bypass Probate	★	
Creditor Protection (potential)	★	
Pension Tax Credit Eligibility (potential)	★	
Pension Splitting Opportunities	★	
Deposit Protection	★	★

Empire GIO’s offer a high-interest alternative to GICs and Canada Savings Bonds as well as being more tax effective without increasing exposure to investment risks.



**Empire Life®**