



## **Eligible Funeral Arrangements = EFA a Diamond in the Rough**

References: *Income Tax Interpretation Bulletin – Funeral Arrangements IT-531, Section 148.1 of the Income Tax Act*

### **What is an EFA?**

Established by CRA in May 1993, up to \$15,000 can be set into an EFA for the sole purpose of prefunding funeral arrangements. Contributions in the EFA earn interest that has income tax implications; in that the interest is exempt from Part I Income as the tax deferred and most likely tax exempt. This accumulated income is not counted as relevant contribution under the EFA.

### **Who can establish an EFA?**

An EFA can be established and maintained by a qualifying person or persons e.g., themselves, POA, Guardian, Trustee(s) or PGTO.

The qualifying person must be at least 18 years of age, of capacity and a resident of Canada at the time the EFA was established. The qualifying person could move and be a non-resident of Canada after the EFA is established.

### **How is an EFA set up?**

The custodian of the EFA must be a licensed Funeral Home via a licensed Funeral Director.

### **When is an EFA set up?**

Ideally when a person is still earning income rather than paying for an EFA with retirement income.

TFSA move money from this into an EFA making more room for further TFSA contributions.

Protect ODSP payments as the threshold of allowable assets will result in an ODSP claw back.



Maturity of GIC savings then money is moved in part or full into an EFA further protecting the income earned on the funds.

Money in a Saving Accounts is earning very low taxable income it may make sense to move the money into a favorable tax treatment in an EFA.

Parents of Adult Dependent Children will set up an EFA for themselves and their dependent child.

Other Monies that are available e.g., dividends, income funds, trust income etc. may also be used to fund an EFA.

If you would like to learn more about how to set up your EFA please contact me.