

MANPREET SINGH

Financial Consultant

RRSP

GUIDE



**Everything you need to know about RRSP and an
"Ultimate Wealth Builder"**

Retirement Income for Life:
Plan & Get More Without Saving More

A GUIDE TO REGISTERED RETIREMENT SAVINGS PLAN



A GUIDE TO RRSP - REGISTERED RETIREMENT SAVINGS PLAN

A Registered Retirement Savings Plan (RRSP) is a retirement account introduced by the government to help Canadians save for retirement. The main benefit of RRSPs is to defer the tax on RRSP contributions until retirement as that would be a time when you would need this money for your retirement.

WHAT'S AN RRSP AND HOW DOES IT WORK?

An RRSP is a tax-advantaged account, as it provides tax breaks to those who invest in it to plan for their retirement.

“Tax-advantaged” would mean “free government money.” One can avoid paying CRA a higher tax at present and pay it at our retirement when we would be in a less tax bracket as we would have retired.

That’s why RRSPs are called tax-deferred, as money you contribute will be exempt from CRA taxes the year you make the deposit, and will only be taxed years down the line when you withdraw it. This way you escape a higher tax the year you contribute to it.

BENEFITS OF THE REGISTERED RETIREMENT SAVINGS PLAN

Here’s how a tax-deferred account like an RRSP works. Let’s say you make \$90,000 a year and you decide to put the maximum allowable into your RRSP—\$16,200. When tax day comes around, the CRA will treat you as though you earned just \$73,800.

Tax-deferred here doesn’t mean its tax-free. One would eventually have to pay taxes when one withdraws any money in future. If you do so at your retirement, your income will be less and, this would lower your tax rate than it would be now.

RRSP CONTRIBUTION LIMIT

One of the most important rules concerns the amount of money you can contribute to the account in any given year; it’s either 18% of your past year’s income or a maximum amount, whichever’s smaller.

WHAT IS THE RRSP DEDUCTION LIMIT?

For 2019 the deduction limit was **\$26,500**. For 2020 the RRSP deduction limit is \$27,230, the amount may increase annually. Contributions to an RRSP reduces the amount of income tax one has to pay in that year. The Canada Revenue Agency (CRA) sets an annual limit on the number of contributions each eligible taxpayer can make to RRSPs to avoid excess contributions. The deduction limit refers to this year's limit rather than taking into account any unused contributions from previous years. Over the past years the RRSP deduction limit has increased.

If one hasn’t utilized their RRSP contributions in the past years then one can find that information in their latest Notice of Assessment. One can accumulate contribution room and not the deduction limits. So imagine you’ve made \$108,000 into your account, but you’ll only be able to deduct \$27,230 of income from your current year taxes (i.e. 2020).



RRSP vs Group RRSP (GRRSP)

Group RRSPs are company-administered RRSPs. Their main advantage will be the employers matching a portion or even every dollar of your GRRSP contribution. Their disadvantages comes with limited investment options and possibly higher fees.

The free employer matching contributions adds to your RRSP room which grows on compound basis until you retire or take out money from your RRSP. And because you can have your employer withhold funds to deposit directly into your GRRSP, not only will you not be tempted to spend that portion of your pay, the money deposited will be pre-tax, meaning that a larger amount of money will get invested immediately, versus investing yourself and having to wait six months to a full year to get that money back through a tax refund.

RRSP vs TFSA

TFSA is similar in structure to RRSP but it does not have any early withdrawal fees and it comes with a yearly maximum contribution allowed, beyond which one would have to pay a 1% penalty.

If you did not contribute much towards your retirement and you have enough money at present via savings, a bonus, or inheritance, a TFSA could be an ideal solution up to a certain limit.

Funds from TFSA can be withdrawn before retirement if required. This could solve anyone's need of money towards their marriage, family planning, buying a house, car or a business.

If the funds are for your retirement, for tax reasons, TFSAs are generally considered preferable to RRSPs for those earning less than \$50,000 a year.

OVER CONTRIBUTION TO RRSPS

Over contributions to RRSP could be done once in your life time for an amount of maximum \$2,000. Any over contribution practiced after exhausting the once in a life time \$2000 would get penalized by the CRA for a penalty of 1 percent on that over-contribution, assessed monthly, for each month you're over the limit.

Year	RRSP Deduction Limit
2021	\$27,830
2020	\$27,230
2019	\$26,500
2018	\$26,230
2017	\$26,010
2016	\$25,370
2015	\$24,930
2014	\$24,270



WHAT CAN YOU DO WITH AN RRSP

An RRSP is a simple way to save for retirement and pay less income tax. There are other really useful things you can do with your RRSP though, including:

- RRSP Home Buyers' Plan
- Lifelong learning plan

AGE LIMIT TO CONTRIBUTE TO AN RRSP

You can contribute to your RRSP up to December 31 of the year you turn 71. You must convert to a registered retirement income fund (RRIF) after that or purchase an annuity to avoid having the value of your RRSP fully taxed in the year.

MAIN BENEFITS OF AN RRSP

1. Tax savings
2. Tax-deferred growth
3. Home Buyers' Plan
4. Lifelong Learning Plan
5. Income splitting

Please note : A Group RRSP is not subject to pension standards legislation; however the plan must be registered with Canada Revenue Agency. For more information visit www.cra-arc.gc.ca.

RRSP HOME BUYERS PLAN

RRSPs can be accessed before retirement for the Home Buyers Plan (HBP). The HBP, is a program through the Canada Revenue Agency (CRA) which allows eligible first-time homebuyers to withdraw up to \$35,000 tax-free from their RRSP to be used towards a down payment on the purchase of their first home in Canada. So, one can take advantage of the tax deductions that RRSP contributions provide while saving for a down payment on your home. One can withdraw the funds tax-free and use them towards a down payment for buying their first home. HBP behaves like loaning yourself money for a house. Tax-implications should be followed in this case too. A TFSA account could be a better option along with RRSP if one is sure that they would buy their first home.

HOW TO OPEN AN RRSP

There are many financial institutions where you can open an RRSP. The main factors to be considered would be

1. Minimum investment allowed
2. Low fees
3. Customer Support
4. Growth of funds
5. Investment vehicles used in the account



After opening an RRSP account, your risk tolerance would be assessed via a risk tolerance questionnaire which would determine what sorts of investments would best fit your needs, appetite and investment behaviour. After going through the risk tolerance measurement you could fund the RRSP, either by linking a savings or checking account to your investment account.

SPOUSAL RRSP

A Spousal RRSP (Registered Retirement Savings Plan) is a savings plan which allows you to contribute money each year and save for your spouse or common-law partner's retirement. In this case of spousal RRSP, your spouse happens to be the annuitant (the plan holder or owner of the RRSP), while the other spouse (or common-law partner) is only the contributor to the plan.

A spousal RRSP contribution is best to use when there exists a substantial difference in the spouse's income level. The spouse doing the contribution receives a tax deduction and thereby as a higher-earning spouse one lowers their personal taxes for that year.

SPOUSAL RRSP CONTRIBUTION LIMITS

How much can we contribute to Spousal RRSP

Example

2020 contribution limit (18% of 2019 individual earned income) up to a maximum of \$27,230

Plus any contribution room carried forward from previous years

Less any pension adjustments (contributions done by your employer in your group RRP-Registered Pension Plan or in your deferred sharing pension plans).

RRSP TRANSFER

Only the same annuitant can transfer RRSP funds between their accounts. Ideally, your spouse is the annuitant of their RRSP if you are the contributor and this cannot be changed.

SPOUSAL RRSP WITHDRAWALS

Spousal RRSP withdrawals are included in the income the year of their withdrawal and taxed accordingly as per your total income. Only the annuitant of the spousal RRSP is allowed to withdraw after 3 years of a contribution to avoid paying any taxes. That means if your spouse withdraws from their spousal RRSP within 3 years their contributing spouse would be taxed that year as per their marginal tax rate for that year as per their total income.

If none of the spouses have a pension plan in place via their own employers when they retire, then both have an equal opportunity to contribute an equal amount in their respective RRSP to be withdrawn at the time of retirement.

If the spouses separate then the withdrawal works in a different way. If the taxpayer is living separate from the contributing spouse or common-law partner at the time of the withdrawal, by reason of the breakdown of their marriage or common-law partnership, then the withdrawn amount will be taxable income of the annuitant instead of the contributing spouse.

FREQUENTLY ASKED QUESTIONS ABOUT RRSPS

1. Who introduced RRSPs? RRSPs have been around since 1957 and were introduced by the federal government. Their aim was to help Canadians save for retirement by providing them a tax-deferred savings plan.
2. Who's eligible for an RRSP? One should be under 71 years of age, a Canadian resident for tax purposes, and file income taxes in Canada. Minors under the age of 18 can set up an RRSP with written parental consent (or that of a legal guardian).
3. How much will having a RRSP reduce my taxes? Since you can contribute up to 18% of your past year's income, you could avoid paying tax on that portion of your income if you contribute the full amount every year. When one begins withdrawing from their RRSP at retirement, they pay less money on that income as they likely would be in a lower tax bracket.
4. How much will my RRSP be worth/grow? The value of your RRSP depends on how much you've contributed each year, what assets your RRSP is invested in, and how many years you've had the account for. However, average rates of return for retirement accounts tend to hover between 4-7% to be on a safer side. However, there are plethora of funds which give returns in a higher range but also come along with the risk of market downturn. E.g. what happened to the funds during Corona pandemic outbreak.
5. What happens to your RRSP when you retire or die? When you retire, your RRSP turns into a Registered Retirement Income Fund (RRIF) that one can withdraw from (income tax would apply to any withdrawals). If one dies, however, their RRSP is usually rolled over to a beneficiary on a tax-deferred basis. The beneficiary would be designated by you, but if no beneficiary has been named then the your RRSP proceeds are considered part of your estate and will be distributed accordingly.
6. Can an RRSP be transferred to another person (partner/child)? An RRSP cannot be transferred to another person while the account holder is still alive, but you can open a joint RRSP with a spouse. As a rule, you cannot transfer money from your RRSP to someone else's RRSP while you're still alive.
7. Does contributing to an RRSP affect OAS? Contributing to an RRSP doesn't affect Old Age Security (OAS). Where you need to watch out is when you start withdrawing from your RRSP. Once your net taxable income during retirement reaches a certain level, your OAS would be subject to a recovery tax, also known as the "clawback."

8. How do you find your RRSP issuer or manager? Many financial institutions (including this one) offer RRSP accounts. You simply sign up with the investment provider of your choice and then regularly deposit contributions to your RRSP via the institution managing your RRSP. It's important for you to find a financial advisor who could be easily available to reach out to and provides you a customized solutions based on your needs, risk tolerance, capacity and guides you at each stage of this investment process.
9. What is RRSP matching? RRSP matching usually takes place in Group RRSPs, which are RRSPs managed by your employer. Through them, your employer may choose to match your contributions to the RRSP, which means you'll be doubling your savings and racking up tax savings.
10. Can an RRSP be withdrawn at any time? You can withdraw from your RRSP before you turn 71, but those withdrawals will count as income—meaning you'll be taxed on the amount at a higher tax rate than you probably would if you withdrew it during retirement. You will also be charged a withholding tax, and you'll permanently lose the contribution room you used to originally make your deposit.
11. Can RRSP contributions be carried forward? Your RRSP contributions can be carried forward. Any unused contribution room can indefinitely be carried forward to future years.
12. Can an RRSP be transferred to a TFSA? You can transfer funds from an RRSP to a TFSA, but it's a two-step approach. First, you'll need to withdraw the funds from your RRSP, which means you'll be subject to a withholding tax and income tax on the amount withdrawn. You can then deposit those funds in a TFSA but you need to make sure you have enough available contribution room.
13. Can an RRSP be used to buy a house or for your education? You can use your RRSP to buy a house if you're a first-time homebuyer through the Home Buyer's Plan, and you can use your RRSP to pay for your education through the Lifelong Learner's Plan. RRSPs can also be used as collateral for a loan, but it's not considered advisable since it could lead to a higher tax bill.
14. Can an RRSP offset capital gains? An RRSP can offset capital gains from other sources if you have enough contribution room available. You don't have to worry about capital gains in an RRSP itself because those investments are tax-sheltered.
15. Can an RRSP be garnished? Whether or not your RRSP can be garnished—ie. claimed by creditors—depends on what province your account is held in and under what circumstances it's been opened. However, RRSP proceeds are usually protected under the The Bankruptcy and Insolvency Act, excluding any contributions made within the last 12 months.



WHY BUY RRSPS FROM AN INDEPENDENT INSURANCE ADVISOR & TAX PROFESSIONAL & NOT BANKS?

1. A complete line of products

With all the life insurance companies, I could go out of my way to meet with you, assess your financial needs and help you come up with a comprehensive financial plan that considers every aspect of your financial life. Most financial institutions can't match the extensive range of products offered at insurance companies, particularly when it comes to protecting your estate.

2. Protection from creditors

If you were to experience any financial problems, your creditors would not be able to seize your RRSPs (if they are issued by an insurance company). Since 2008, under Bill C-12, the Bankruptcy and Insolvency Act has been amended to place your hard-earned savings beyond the reach of creditors, as they are with annuity contracts and registered pension plans. All registered investments issued by an insurance company during the 12-month period preceding bankruptcy, are now sheltered from creditors. Because they are governed by an annuity contract, RRSPs issued by insurance companies offer additional protection. So your money remains protected from all prospects.

3. Flexible withdrawals

Life insurance companies offer the most flexibility when the time comes to cash out your RRSPs. In addition, only insurance companies offer life annuity contracts, which are great for people who want to ensure they have income security for the rest of their life. When you purchase an RRSP from a life insurance company, I would draw up a contract that will secure you a guaranteed fixed or indexed income, as you seem to be fit as per your risk tolerance, for the remainder of your lifetime. This contract may even include coverage in the event of premature death, providing your beneficiaries with an income if the unexpected were to happen.

4. Unique guarantees

Certain investments offered by life insurance companies, both inside and outside an RRSP, include specific guarantees, which aren't offered by other financial institutions. Take segregated funds, for example, which are mutual funds with a clause guaranteeing the principal value on maturity or upon death of the contract holder. As a general rule, standard mutual funds do not include this guarantee.

5. Option of Nominating the Beneficiary

Investment types available through Insurance companies like Segregated fund policies and guaranteed interest account/options do allow naming beneficiaries with potential creditor protection as well as discussed above.

6. Bypass Probate

If you name a beneficiary that is not your estate, the proceeds of the policy are paid directly to the beneficiary. The proceeds would not be included in your estate assets and would not be subject to probate fees.

7. Built-in Product Guarantees

Segregated funds: Segregated funds can be a great way to diversify your investments options. While similar to mutual funds, they are unique in that they can provide a maturity guarantee as well as a death benefit guarantee ranging from 75% - 100% of your contributions (minus withdrawals). This provides a level of principle protection regardless of market fluctuations.

Guaranteed Interest Accounts (GIAs): Our GIAs provide security of principal and a guaranteed interest rate. They are available for terms between 1 – 15 years and are cashable at any time. A market value adjustment may be required if cashed before expiry of the term.



Payout Annuities: Payout Annuities are exclusively offered by insurance companies and are not available at your bank. A payout annuity guarantees a set amount of periodic income in exchange for a lump sum investment. You choose whether the guaranteed income is for a specific number of years or for the remainder of your life. No matter what happens to the markets or interest rates, your income payments will not change.

8. Where there's a Will there's Way

Once non-registered funds (or registered accounts with "estate" named as beneficiary) pay into the estate bank account of the deceased, the executor follows the terms of the **Will**, which would include a provision for paying any income taxes due, any charitable bequests as well as taking care of other estate costs such as probate, legal and accounting fees and burial costs. Once this is done, the remaining money will be paid out as per the terms of the **Will**. This is the only case where the **Will** dictates where funds are to be paid. Any account that has the provision for the naming of a beneficiary, and where that provision has been exercised, won't be paid into the estate bank account. This means the allocations in the **Will**, unless they specifically refer to the registered plan, don't apply. In some cases, it may be preferable to have the funds paid into the estate account rather than directly to a named beneficiary. A **Will** is a sophisticated planning document that allows for many contingency plans, such as who to leave the funds to if a person you would have named as beneficiary pre-deceased you or died in a common accident or for ensuring that funds are put in a trust to pay your children at some point in the future. By comparison, a named beneficiary is a blunt instrument, and while it can be easily changed in some cases, it may not be the best choice when you want to leave the money "with strings attached" or do contingency planning. For this reason, I work in close co-ordination with estate planning lawyers as well to bring a customized **Will** for your estate.

9. In Trusts we should Trust

Another thing that can work in conjunction with a **Will** for your estate planning would be the establishment of a form of Trust known as "Inter Vivos," which is a fancy name for a Trust that's set up during your lifetime as opposed to after your death. If you're over the age of 65, income tax legislation dictates you may roll investments into this form of Trust (a joint partner for married couples or an alter ego trust for single individuals) tax-free, meaning you don't have to pay capital gains taxes on the disposition of those funds. If you're under 65, however, there's no ability for a tax-deferred roll over of investments. A trust may work well in conjunction with your **Will** as it has the same planning power and poses an alternative means of distributing your wealth upon death, including bypassing probate.

10. Individualized Independent Advisor Guidance

Since, I am licenced to work in the Insurance industry, I could offer you an individualized product solution while being reachable to you over a direct phone call, email, SMS or Whatsapp. With all the Banking Institutions this option would not be available and you may be forced to talk to a new person every time you give a call to these institutions for requesting any changes, knowing your product investment status etc.

11. Multiple Company Options

Since, I am working as an independent advisor, I have the access to all the best available Canadian products and could suggest the appropriate option best matching to your risk tolerance without being biased for any particular company.

Info in General

Registered Savings Plans

TFSA – Tax Free Savings Accounts

RRSP – Registered Retirement Savings Plans

RESP – Registered Education Savings Plans

RDSPs – Registered Disability Savings Plans



TYPES OF FUNDS AVAILABLE WITH RRSPs

1. Segregated Funds

- Capital protection upon maturity or death
- Protection of investment gains through resets
- Possibility of avoiding probate fees
- Quick settlement in case of death
- Creditor protection
- Simplicity in Tax reporting
- Possibility of receiving a lifetime guaranteed income
- Provide a guarantee from 75% to 100% depending upon your chosen contract.

2. Guaranteed Interest funds

Fixed, guaranteed interest rate for the term of the investment and 100% capital guarantee at maturity.

Competitive rates for terms of 1 month, 1 to 5 years and 10 years.

Protection against creditors.

Contributions guaranteed in the event of disability.

Progressive Rate Guaranteed Interest Funds of 5 years.

3. High Interest Savings Account

- | | |
|---------------|--|
| Growth | - High yield |
| | - No withdrawal fees, no management fees |
| | - Daily accumulation of interest (paid monthly) |
| Accessibility | - No minimum investment |
| | - Withdrawals possible at any time |
| Security | - No risk |
| | - 100% capital guarantee |
| | - Possible creditor protection |
| | - Deposits guaranteed by Assuris (up to \$100,000) |

WHY RRSP WITH BANKS IS NOT THE BEST OPTION

A GIC is an investment that guarantees 100 per cent of the money you originally put in. Generally, you agree to park your funds at a financial institution for a set number of months or years in exchange for interest that's paid out at regular intervals or at maturity. GICs are one of the safest investment options out there, which is why many Canadian gravitate toward them.

But for years now, the trouble with GICs has been that, with interest rates at historic lows, returns have barely kept up with inflation.

If you were to buy a fixed-rate, one-year GIC at any of the big banks right now you'd get a return of between 0.8 per cent and 2.3 per cent. Inflation was 4.1% per cent in August 2021, according to Statistics Canada.

References: [Global News](#), [Money Sense](#)

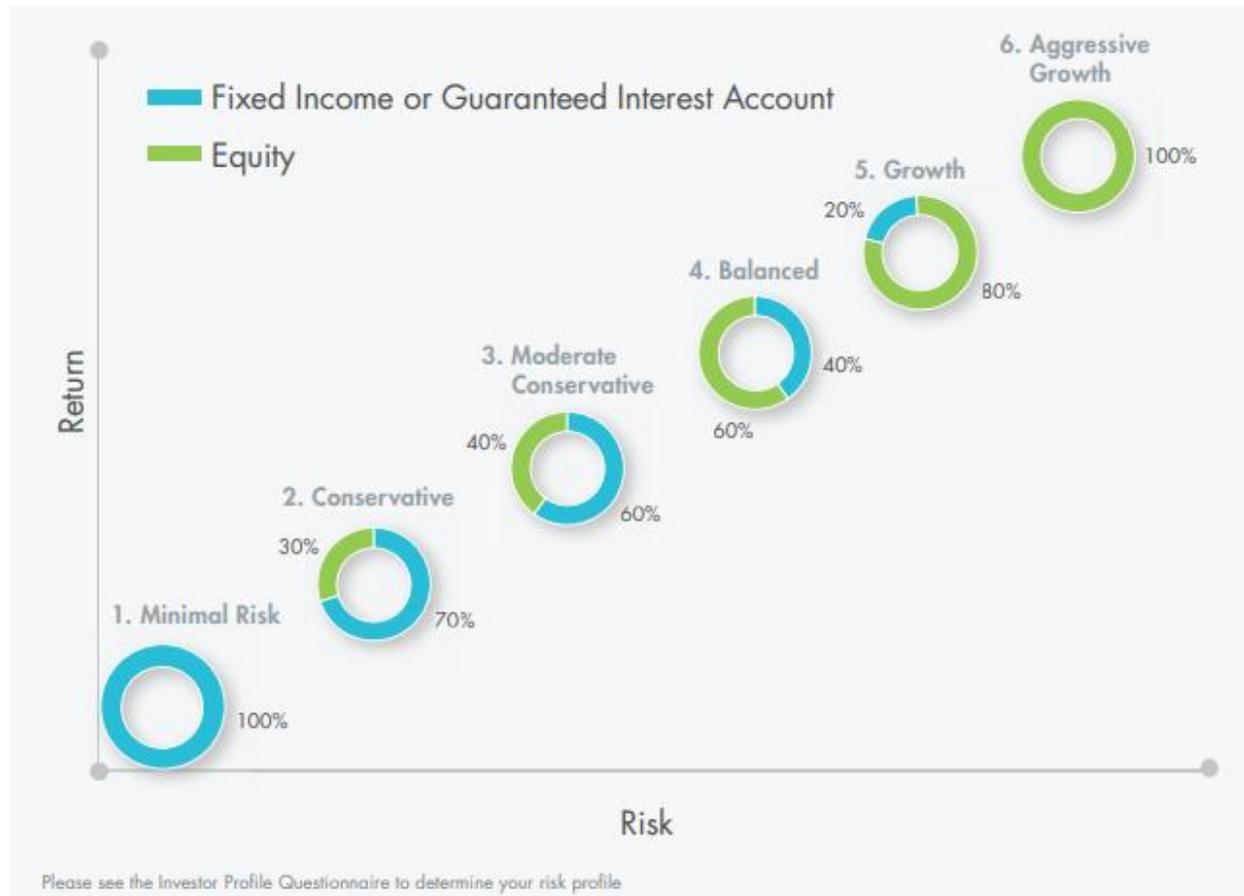
Rate of Inflation in Canada – 2019

The annual inflation rate in Canada rose to 4.1% in August 2021 from 3.7% in the previous month compared to the market forecast of 3.9%, matching market expectations.

Reference: [Inflation CPI](#)

INVESTOR PROFILE

An Investor Profile is a summary of an investor’s financial goals, financial situation, time horizon, and risk tolerance. It can help investors, like you, select appropriate investments. In general terms, your profile defines the level of risk you are willing to take. For example, if you need to protect your money and have a short time horizon, you may follow a more conservative portfolio. If you have a longer time horizon and are focused on growing your money, you may follow a more aggressive equity-based portfolio.





COMPARE DIFFERENT SAVINGS PLANS TO FIND THE ONE THAT IS RIGHT FOR YOU

	Eligibility age	Age limit to contribute	Contribution ceiling	Tax-deductible contributions	Tax-sheltered accumulation	Tax payable upon withdrawal or at the end of the year	Unused contributions can be carried forward
RRSP	18	71	✓	✓	✓	✓	✓
TFSA	18	None	✓	---	✓	---	✓
Non-Registered Savings Plan	18	90	---	---	---	✓	Does not apply

Please note there are tons of funds available in the market and choosing of the funds is based on your Risk Tolerance.

Regards,

Manpreet Singh

Independent Tax Professional (Ex-H&R Block)

Full Service Financial Consultant

Full Service Insurance Consultant

Ex-Senior Life Underwriter

