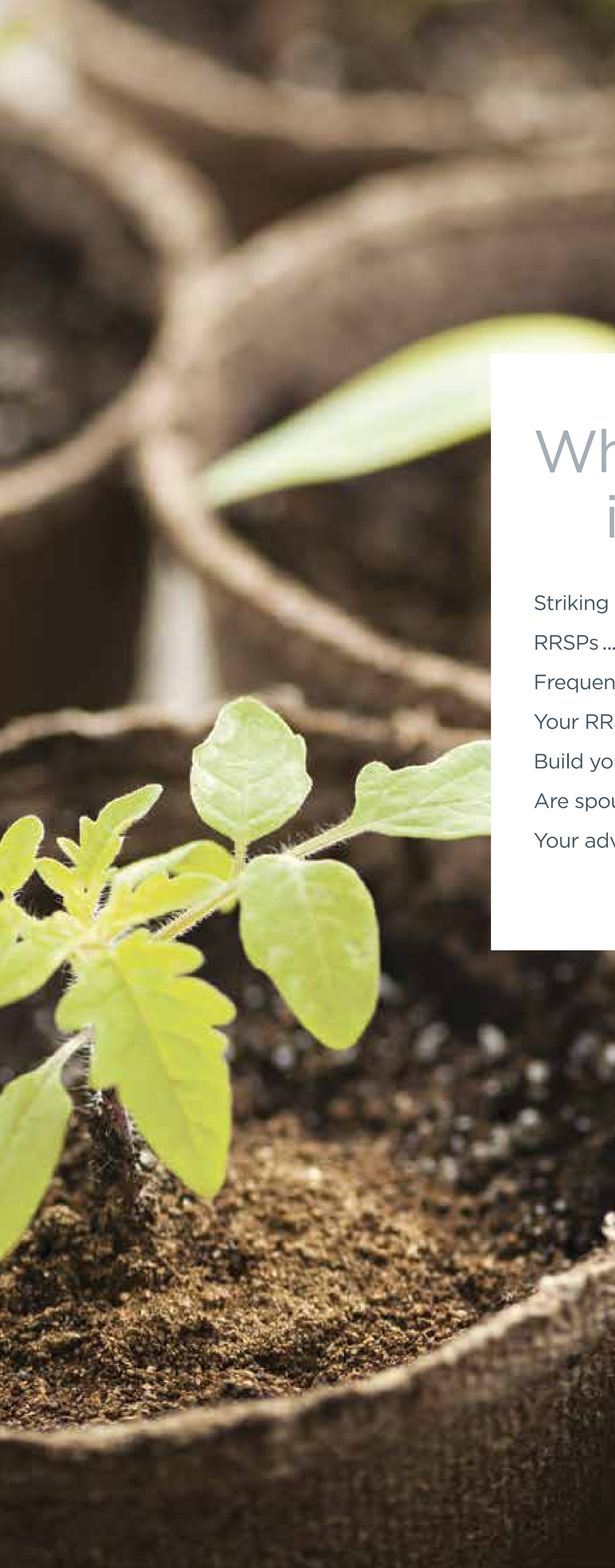
# RRSP GUIDE

Help your money grow on your terms through RRSP investing



# What's inside

# Striking a balance between spending and saving

No matter which stage of life you're at, you probably have competing demands for your money. Whether it's paying down debt, saving for a down payment, funding your children's education or making home renovations, there's always something else to spend on.

But even if you feel there's no more money left, you can still find pain-free ways to save for your future, and in particular, your retirement years.

This guide is designed to provide an overview of Registered Retirement Savings Plans (RRSPs). It will review the many advantages they provide, including tax benefits, a wide range of investment options and most importantly, the ability to ensure that you have enough income to enjoy a comfortable retirement.

With the help of your financial advisor, you'll gain peace of mind when you choose registered investments as the foundation of your long-term investment strategy. Your advisor can recommend investments that will help your RRSP grow with your needs, while reflecting your comfort with risk.

## What is a 'registered' plan?

An account or plan that is registered with the Canada Revenue Agency (CRA) that allows money inside the plan to grow on a tax-deferred, or in the case of a TFSA, a tax-free basis.

### Examples:

Registered Retirement Savings Plan (RRSP)

Registered Retirement Income Fund (RRIF)

Registered Education Savings Plan (RESP)

Registered Disability Savings Plan (RDSP)

Tax-Free Savings Account (TFSA)

The term "spouse" includes a married spouse or a common-law partner where, in the case of a common-law relationship, the relationship did not experience a breakdown of 90 days or more in the year.

# RRSPs

More than 50 years ago, the federal government introduced RRSPs to encourage Canadians to plan and save for their own retirement instead of relying solely on public pension plans.

The RRSP has evolved over the last half century, giving investors increased incentive to save for their retirement.

Most fundamentally, the growth on investments inside an RRSP is tax-deferred, meaning you don't immediately pay tax. Any interest, capital gains or dividends earned will compound tax-deferred. Money is taxed – as ordinary income – only when you remove it from the plan. In addition, you get a deduction from the annual taxable income you earn for every dollar you contribute to your RRSP.

## An effective way to save for your retirement

RRSPs provide a significant opportunity for Canadians to save and investors generally recognize them as the best way to save for retirement.

Public pension plans – Old Age Security and Canada Pension Plan – together provide an average of $14,053 and a maximum of $19,225 annually to individuals aged 65 and older.[1]

Also, unless you participate in an extremely generous plan, a corporate pension plan alone cannot meet your income needs throughout retirement.

## Key benefits of an RRSP

- Investments compound tax-deferred as long as they remain in the plan
- Choose your investments from a wide range of options
- Contributions are tax-deductible

### A short history of the RRSP

| | |
|---|---|
| **1957** | The federal government creates the RRSP, originally called a "registered retirement annuity" |
| **1974** | Spousal RRSPs are introduced so that withdrawals can be taxed in the hands of the lower-earning spouse |
| **1978** | Registered Retirement Income Funds (RRIFs) are launched so that RRSP money doesn't need to be cashed out all at once or used to buy an annuity |
| **1991** | Individuals can carry forward unused contribution room |
| **1992** | The Home Buyers' Plan is introduced |
| **1999** | Lifelong Learning Plan is created |
| **2005** | Foreign content restriction of 30% is eliminated |
| **2007** | You have until age 71 to convert your RRSP to a RRIF or annuity, up from age 69 |

[1]Source: Service Canada. Current to 2014.

# Frequently asked questions

### When is the RRSP contribution deadline?

The deadline falls 60 days after the end of the year. If that day falls on a weekend, the CRA may extend the deadline to Monday.

### How much can I contribute to my RRSP?

You can contribute up to 18% of your earned income to a maximum of $24,930 in the 2015 tax year (minus pension adjustments from your company pension plan) in addition to unused contribution room from previous years.

### How can I find out exactly how much I can contribute?

Your Notice of Assessment from the CRA will state your maximum contribution room for the current year. If you need to double check, call the CRA at 1-800-267-6999.

### What is considered 'earned income'?

Earned income includes salaries, self-employment income, taxable maintenance and alimony payments, and net rental income. It does not include income from pensions or investments. Speak to your financial advisor about other types of income that may be eligible.

### What if I don't contribute my maximum amount?

If you don't contribute the maximum amount that you're allowed, you can carry forward the unused portion indefinitely. Your Notice of Assessment will show your unused RRSP contribution room.

### What if I contribute more than the limit?

Over-contributions are subject to penalty fees. Where over-contributions exceed $2,000, you will be assessed a 1% per month penalty tax until the excess is withdrawn or additional contribution room becomes available.

### What can I include in my RRSP investment portfolio?

You can hold mutual funds, equities, bonds, cash and a variety of other investments in your registered plan. Speak to your advisor to ensure you do not own prohibited investments*.

### What about foreign content levels?

The 2005 Federal Budget eliminated the foreign property limit for tax-deferred retirement plans. You are no longer restricted to holding up to 30% of foreign investments in your portfolio.

### Is it a good idea to borrow money to invest in my RRSP**?

Borrowing money to invest can be an effective way to maximize RRSP contributions. One strategy to consider is to apply for your loan in December, defer funding to February (in time to meet the RRSP contribution deadline), defer your first repayment to July and use your tax refund (typically received between April and June) to reduce your loan balance. Speak to your financial advisor to see if this is a suitable investment strategy for you.

*Generally, a "prohibited investment" will include debt of an annuitant (other than certain insured mortgages) and investments in entities in which you or a related person has a significant interest (generally 10% or more) or with which you do not deal at arm's length. If you hold a "prohibited investment" a 50% penalty will be applied to the fair market value of the investment at the time it was acquired or became prohibited. The penalty will be refunded if you dispose of the investment by the end of the year following the year it was acquired or became prohibited.

**Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

# Frequently asked questions *(cont'd)*

### If my spouse and I decide to open a spousal RRSP, who makes the contributions?

The higher income earner normally makes the contributions on behalf of his or her spouse. The contributor, normally the higher income earner, would claim a tax deduction for the contribution, and withdrawals would be taxable to the lower income spouse (provided contributions have remained in the plan for at least three years). Speak with your financial advisor for details and see page 9 of this brochure, "Are spousal RRSPs still useful?".

### Can I withdraw from my RRSP?

You can withdraw from your RRSP but the amount you withdraw will be included in your income as fully taxable ordinary income. You will have to pay withholding tax when you withdraw (note: there are withdrawal restrictions if you have a locked-in RRSP). You might also have to pay additional tax on the withdrawal when you file your tax return for the year with credit for any withholding tax previously withheld.

The government offers two programs where you can take money out for your RRSP without tax provided the amounts are re-contributed to the RRSP over time. The Home Buyers' Plan (HBP) lets a first-time homebuyer withdraw up to $25,000 for the purchase of a new home. The Lifelong Learning Plan (LLP) lets a student (or a spouse) withdraw $10,000 per year up to $20,000 to fund full-time education or retraining. Repayments under the HBP must occur over a 15-year period. Repayments under the LLP must occur over a 10-year period.

### Can I reduce withholding tax by withdrawing $5,000 or less on separate occasions?

Generally, no. The federal government requires financial institutions to calculate, to the extent possible, withholding taxes on RRSP withdrawals on a cumulative basis. If you make five separate requests for withdrawals of $5,000 or less, each withdrawal may be subject to an escalating withholding tax to a maximum of 30% (31% for Quebec residents).

| Amount Withdrawn | Provinces (excluding Quebec) | Quebec |
|---|---|---|
| Up to $5,000 | 10% | 21% |
| $5,001 – $15,000 | 20% | 26% |
| Over $15,000 | 30% | 31% |

### When does my RRSP mature?

You must wind up your RRSP by the end of the calendar year in which you reach age 71, typically by way of transfer to a Registered Retirement Income Fund (RRIF). However, you may convert to a RRIF at any time.

Don't wait for your financial institution to tell you that it's time to convert. If you don't choose a RRIF (or annuity) by the end of the year in which you turn 71, the financial institution that holds your RRSP could cash it in and send you the cash less any income taxes which must be withheld. Where this occurs, the total value of your cashed-in RRSP will be added to your income for the year. It's up to you and your financial advisor to avoid a big tax bill at the end of the year.

# Your RRSP checklist

1. If you haven't started saving, start now. It's never too late to invest in your future.
2. Invest early and often to take advantage of the "time value of money." Investing today will help you reap more tomorrow. Because your investments are allowed to compound tax-deferred, there are significant advantages to investing early in the year or on a monthly basis.
3. Choose mutual funds and put your money in the hands of professionals who have the investment know-how to help you reach your retirement dreams.
4. Maximize your RRSP contribution to take advantage of one of the best opportunities to save for retirement and defer taxes.
5. Don't always be too cautious and choose low-risk investments only. A diversified portfolio should include a variety of assets to minimize risk and maximize return.
6. Think long-term instead of letting short-term market volatility sway your investment decisions.
7. Take advantage of dollar-cost averaging with a pre-authorized chequing plan that spreads your mutual fund purchases over time and gives you greater long-term returns.
8. Consider an RRSP loan[1]. Visit ***mackenzieinvestments.com/calculators*** and use our helpful retirement planning tools to determine your savings needs.
9. If you don't have the cash available, consider moving non-registered investments to your RRSP in kind. Be mindful of denied capital losses when considering this strategy.
10. Don't wait until the last minute to meet the March deadline – investment decisions shouldn't be rushed.

[1]Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

# Build your RRSP: investing tips

## Start contributing early in the year

If you're like the typical Canadian, you probably wait until the "RRSP season" – the first two months of the year – to make your RRSP contribution. But coming up with the cash all at once can be difficult, especially for those who are still paying the holiday bills.

Instead, speak with your advisor about setting up a pre-authorized chequing plan (PAC). This simple investment strategy lets you purchase mutual fund securities on a periodic basis, such as weekly, monthly or quarterly, in a predetermined amount. Amounts as small as $50 per month are easily deducted from your personal bank account and invested in your RRSP.

## Dollar cost averaging: An extra PAC plan benefit

By making regular contributions to your RRSP, it forces you to put saving ahead of spending. Over time, your savings will grow. When you invest a set amount of money each month, you can take advantage of a technique called "dollar cost averaging." With dollar cost averaging, you enter the market gradually, buying more shares when the price is low and fewer when the price is high.

During a bear market, many investors wait until there are clear signs that the bear is over before committing money. Consequently, as the market recovers, a good portion of recovery gains are lost. Also, during a bull market, dollar cost averaging helps guard against buying large amounts at the top of the market when investments are most expensive.

## Maximize your contribution

By contributing as much money to your RRSP as you're allowed, you could get a bigger tax refund and improve your chances of building a rewarding retirement. If you don't contribute your maximum amount, you can carry forward unused RRSP contribution room, which allows you to contribute at a later date.

## A world of opportunities

In 2005, the federal government removed the 30% limit on foreign content for registered plans allowing for greater global portfolio diversification. Canada represents only 3% of the world's stock market capitalization. With most of the world's investment opportunities outside of our borders, global investing lets you diversify across economies and markets and participate in growth around the world.

## Borrowing to invest can make it easier*

An RRSP loan can work in your favour if you pay it off promptly and if your RRSP is earning a good rate of return. When used properly and conservatively, borrowing to invest is a powerful strategy that investors can use to build wealth. Generally speaking, if considering this strategy, you should have a long-term horizon, mid-to-higher income, a stable job and the ability to repay the loan and interest.

*Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

## Are spousal RRSPs still useful?

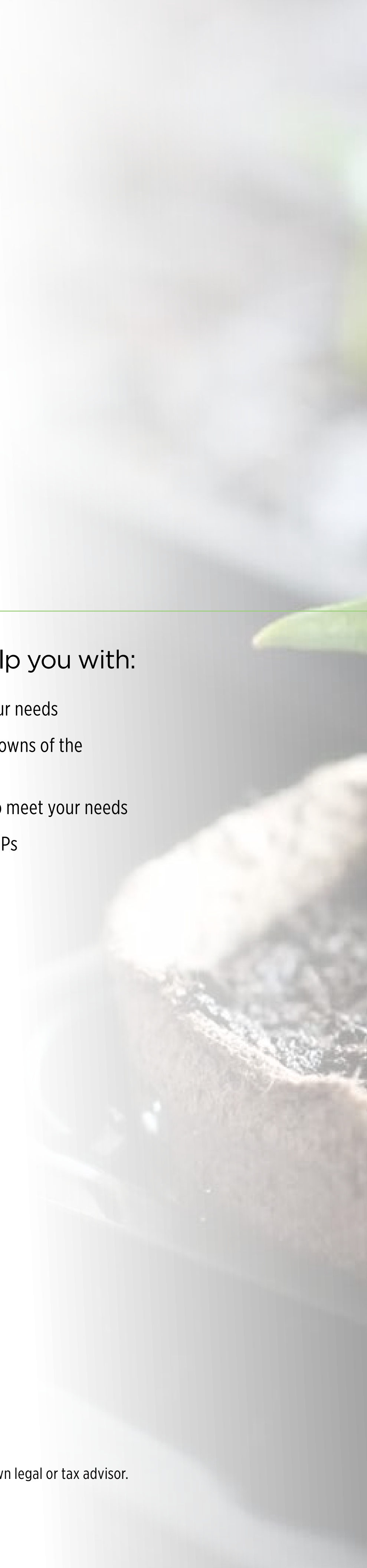
Spousal RRSPs have traditionally been used as an income-splitting strategy in retirement. If you earn more than your spouse, you can contribute to your spouse's RRSP but claim the tax deduction yourself. Your total contributions (to your own and your spouse's plans) are subject to your own normal contribution limits. In retirement, withdrawals are taxed in your spouse's hands rather than yours, as long as the contribution has remained in the plan for at least three years. So you benefit from their lower tax rate in retirement, while reducing your own tax liability during your working years.

But, in October 2007, the government introduced new pension splitting rules that allow Canadians to split pension income with their spouse. Is there still a place for spousal RRSPs?

**Here are situations where the spousal RRSP is still useful:**

- If you are planning to retire before age 65 and don't have a registered pension plan; spousal RRSPs allow income-splitting before age 65 whereas pension income-splitting normally begins at age 65.[1]
- If you are saving for a home (each person can withdraw $25,000 under the Home Buyers' Plan)
- If you're 71 or older and can no longer contribute to your own RRSP, you can still contribute to your spouse's RRSP if you have earned income and your spouse is younger than 71
- If you and your spouse want to make the balance of assets in your household more equal

[1]Registered Pension Plan income can be split before age 65.



# Your advisor

If you're like many Canadians, your RRSP is likely a cornerstone of your retirement savings strategy.

Building and managing your RRSP calls for discipline. The reality is, many people don't have the time, interest or experience to closely manage every investment detail. Even if you are an experienced investor, a second opinion can highlight things you may overlook.

---

## Here's what your financial advisor can help you with:

- Define your goals and create a comprehensive plan tailored to your needs
- Keep you focused on your investment plan through the ups and downs of the markets, resulting in potentially higher returns over the long term
- Actively monitor your investments to ensure that they continue to meet your needs
- Keep you informed about tax rules and regulations related to RRSPs

## GENERAL INQUIRIES

For all of your general inquiries and account information please call:

| | | |
|---|---|---|
| **ENGLISH** | 1-800-387-0614 | |
| **BILINGUAL** | 1-800-387-0615 | |
| **ASIAN INVESTOR SERVICES** | 1-888-465-1668 | |
| **TTY** | 1-855-325-7030 | 416-922-4186 |
| **FAX** | 1-866-766-6623 | 416-922-5660 |
| **E-MAIL** | service@mackenzieinvestments.com | |
| **WEB** | mackenzieinvestments.com | |

Find fund and account information online through Mackenzie Investments' secure InvestorAccess.
Visit mackenzieinvestments.com for more information.

00860

Mackenzie INVESTMENTS

RP5009 1/15