

## RRSP FAQs

Please note: The following RRSP questions and answers are intended as guidelines only and are subject to change. Please refer to Canada Revenue Agency (CRA) for complete and up-to-date details.

### 1. What is an RRSP?

A Registered Retirement savings plan (RRSP) is an account that is registered with Canada Revenue Agency and contributions to which are income tax deductible on an annual basis, up to a certain limit. RRSP is primarily intended for savings towards retirement. A **U.S. RRSP** is denominated in U.S. dollars RRSP and allows you to keep your cash in U.S. dollars, thus avoiding forced foreign exchange conversion every time that you trade U.S. securities.

### 2. Can I have both a Canadian and a U.S. RRSP at the same time?

Yes. However, your total contributions across all RRSPs cannot exceed your annual RRSP contribution limit.

### 3. What is the advantage of a U.S. RRSP?

Every time that a U.S. security is purchased through a Canadian registered account, an Foreign exchange ("FX") fee is charged to convert Canadian dollars to U.S. dollars (FX hit 1). Subsequently, when the U.S. security is sold, the U.S. dollar proceeds are automatically converted back to Canadian dollars, incurring yet another FX fee (FX hit 2). But when you trade U.S. RRSP, you can eliminate forced FX conversion costs and you can keep your cash in U.S. dollars or convert it to Canadian dollars at your discretion.

### 4. Who is eligible to participate in RRSP?

Individuals with Social Insurance Number and "earned income" taxable in Canada are eligible for RRSP. Earned income includes salary, self-employment income, maintenance and alimony payments, and net rental income (but does not include income from pensions or investments). There is no minimum age for participating in an RRSP. However, given the contractual obligations of securities transactions, to open an account at Virtual Brokers the individual must have reached the age of at least 18 (the age of majority for residents of British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut and Yukon, is 19). Contribution to an RRSP, can be made up to and including the year that the contributor turns 71 years of age.

### 5. Are contributions to the RRSP tax-deductible?

Yes. RRSP contribution can reduce the amount of income tax you would otherwise pay. Contributions to an RRSP can only be made by individuals with "earned income" taxable in Canada, which includes salary, self employment income, maintenance and alimony payments, and net rental income. Income from pensions or investments is not considered earned income.

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

The RRSP contribution limit is equal to 18% of earned income in the previous year up to an annual limit (see below), minus an individual's pension adjustment, plus unused contribution room carried forward from the preceding year.

### Annual Limits

- 2015 \$24,930
- 2014 \$24,270

After 2010, increases to the annual RRSP contribution limit will be indexed. The easiest way to confirm your contribution limit is to look at your Notice of Assessment, which you'll receive from Canada Revenue Agency after you file your income tax return. Unused RRSP contribution room can be carried forward indefinitely.

#### 7. What happens if I were to over-contribute to my RRSP?

Currently, individuals who were at least 18 years of age in the preceding year are allowed to over-contribute to their RRSPs by up to \$2,000 CAD without incurring the monthly 1% penalty tax. You cannot claim a tax deduction for the over-contribution in the taxation year it is made, but you can wait until new RRSP contribution room is available in a future year and deduct the over-contribution in that year.

#### 8. When is the deadline to do an RRSP contribution for the current tax year?

March 1 (or February 29 in a leap year) is the RRSP contribution deadline. During the first 60 days of the year, contributors have the option of claiming the contribution receipt for the previous year or for the current year.

#### 9. Are RRSP withdrawals taxable?

Yes. RRSP withdrawal is subject to income and withholding taxes (see below), except when funds are transferred from one RRSP to another, or when funds are transferred to a retirement income option such as a Registered Retirement Income Fund (RRIF).

Withholding tax rates (all provinces and territories except Quebec):

- \$5,000 or less 10%
- \$5,000.01 - \$15,000 20%
- Over \$15,000 30%

Withholding tax rates (Quebec):

- \$5,000 or less 21%
- \$5,000.01 - \$15,000 26%
- Over \$15,000 31%

#### 10. What are eligible investments for RRSP?

- Most common eligible investments are:
- Cash - Canadian and U.S. Dollars
- Common and preferred shares of Canadian corporations listed on any Canadian, U.S. and several foreign stock exchanges
- Rights and Warrants that can be used to purchase eligible investments
- Covered calls, long calls and puts
- Mutual Funds

- Fixed Income securities, including bonds, debentures, strip bonds and notes that are (i) issued by corporations listed on a Canadian and US stock exchange (ii) issued or guaranteed by the Government of Canada (iii) issued by a province, municipality or Crown corporation
- Term Deposits and Guaranteed Investment Certificates (GICs)
- There are certain other investments that qualify for RRSP. For more information please visit [RRSP qualified investments](#).

#### 11. What type equity option transactions are allowed in RRSP?

All exchange traded equity options (Puts and Calls) may be purchased, and subsequently sold (long sale). If a put option is exercised or assigned, then the resulting short position must be covered immediately, as no short positions are permitted in registered accounts. Call options may be written (sold) provided that the underlying shares are held in the account (Covered Call). Naked Call and Put writing is not allowed.

#### 12. Can I claim my investment losses in my RRSP account for tax purposes?

No. Capital losses in RRSP accounts are not eligible for tax deductions. On the flip side, RRSP investment returns are exempt from capital gains tax.

#### 13. What is Home Buyer's Plan (HBP)?

The Home Buyers' Plan (HBP) is a program that allows you to withdraw up to \$25,000 from your registered retirement savings plan (RRSPs) to buy or build a [qualifying home](#) for yourself or for a related [person with a disability](#) . For more information, please visit [Home Buyer's Plan \(HBP\)](#).

#### 14. What is Lifelong Learning Plan?

The Lifelong Learning Plan (LLP) allows you to withdraw amounts from RRSPs to finance training or education for you or your [spouse](#) or [common-law partner](#). You cannot use the RRSP funds to finance your children's training or education, or the training or education of your spouse or common-law partner's children. For more information, please visit [Lifelong Learning Plan \(LLP\)](#).

#### 15. When does an RRSP reach maturation?

An RRSP must mature by Dec. 31 in the calendar year in which you turn 71. This means that you must either cash in your RRSP or roll it over to a Registered Retired Income Fund (RRIF) or purchase an annuity before the end of December of that year.

#### 16. What is a Registered Retirement Income Fund (RRIF)?

A RRIF allows you to convert your RRSP into retirement income. A RRIF can be established at anytime before the end of the year in which you or your younger spouse or common-law partner turn 71. No contributions can be made to RRIF and a minimum annual withdrawal is required each year. The payments made to you from your RRIF are taxable, but the investment in a RRIF continues to grow tax-deferred until they are withdrawn. For more information please visit [Registered Retirement Income Fund \(RRIF\)](#).

#### 17. Where can I find more information about RRSPs and Self-Directed RRSPs?

For more information, please visit [Registered Retirement Savings Plan \(RRSP\)](#) or [Self-directed RRSPs](#).

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