



Your RRSP, your TFSA and your projects



Cooperating in building the future

Life, health, retirement

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Caution

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WHAT ARE YOU WAITING FOR?

It's easy and profitable!

"Should I focus on my retirement instead of my dreams?"

"How can I make sure I never run out of money?"

"RRSP or TFSA? Which one is best for me?"

Have you asked yourself these questions? It's not surprising. By the time you retire, you will have many projects you will need to save for: buying a car, buying a home, doing renovations, travelling ... to name just a few!

And yet ... you'd be surprised how a little planning can go a long way while you continue to maintain a comfortable standard of living.

Let your financial representative help you. His or her role is to assess your financial situation and help you make choices, so you can reach your objectives while maintaining your priorities. With time on your side, why put it off? Keep reading and see for yourself.

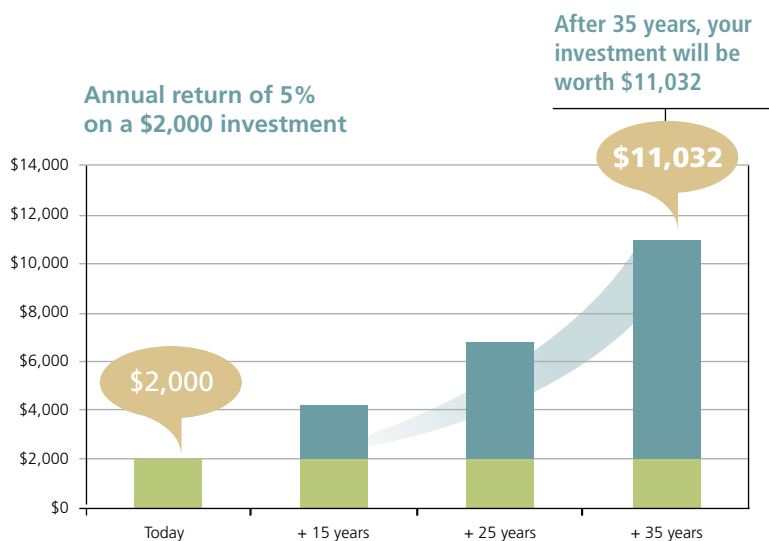
How time works for you

You often hear the same advice when it comes to savings:

IT PAYS TO START EARLY!

Why?

To grow your savings, you need to invest them. Not only will this make your savings grow, but you'll also take advantage of the interest that a profitable investment earns. In turn, that interest, which is added to your capital, will grow the following year. So, the sooner you start saving, the more you will benefit from the "interest on your interest", which is known as "compound interest".



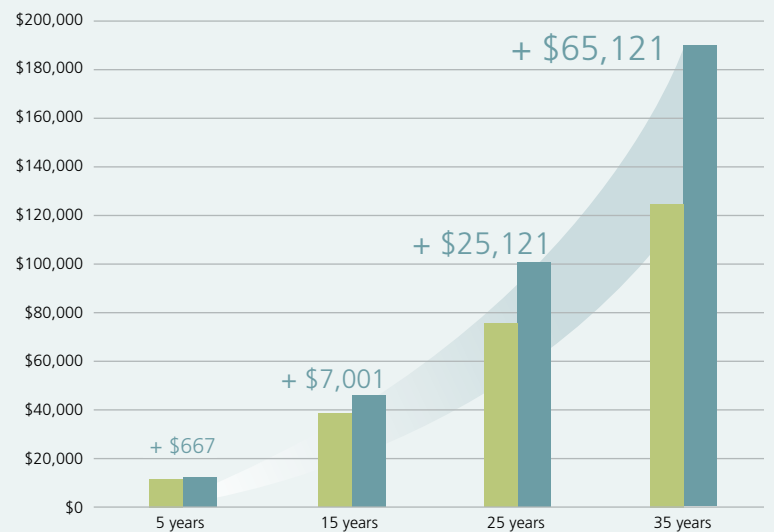
Assumption based on a 5% annual rate of return on a one-time deposit of \$2,000. This simulation is not an indication or a guarantee with respect to future results.

Registered plans: Maximize your savings!

There's an added benefit to contributing to a registered plan: the return on your investments is not taxed.¹ This means you'll be able to take full advantage of "compounding" interest. What a great reason to set up a meeting with your representative to plan your contribution!

¹ Income earned in an RRSP is taxed when money is withdrawn from the plan.

How \$2,000 invested per year accumulates in a registered and non-registered investment vehicle





Assumption based on a 5% annual rate of return and a marginal tax rate of 40% on amounts invested at the beginning of the period. This simulation is not an indication or a guarantee with respect to future results and does not take into account the eventual reinvestment of tax refunds (for some RRSPs only).

How often you contribute also makes a difference

It's even more profitable to contribute a small amount each month rather than wait to make a larger contribution at the end of the year. In fact, why wait when you can earn an immediate return on the amounts that accumulate over the course of the year? And, if your regular contributions are registered in an RRSP or a TFSA, the interest you earn is immediately invested and sheltered from tax. A smart move ... and a profitable one!

And this is not the only benefit of making regular contributions. In fact, it is generally easier to save small amounts on a regular basis than to come up with a larger amount at the end of the year.

	15 years	25 years	35 years
 \$200 every month	\$53,181	\$117,624	\$222,596
 \$2,400 at the end of the year	\$51,789	\$114,545	\$216,769
Advantage of contributing monthly	+ \$1,392	+ \$3,079	+ \$5,827

Investment in a registered plan earning 5% interest. This simulation is not an indication or a guarantee with respect to future results and does not take into account the eventual reinvestment of tax refunds (for some RRSPs only).

Save effortlessly

Maintain a steady pace by choosing a pre-authorized payment plan. This way you're sure to make your contribution at regular intervals without giving it a second thought ... and before you're tempted to spend the money!

THE RRSP

Plan your future ... and benefit today!

What is an RRSP?

An RRSP (Registered Retirement Savings Plan) is a plan in which you register investments in order to save money for your retirement. The plan is registered with the Canada Revenue Agency (CRA).

An RRSP defers income tax. You do not pay tax on the income that accumulates in the plan, as long as it remains in the plan. However, if you withdraw registered investments from the plan, you generally have to pay tax on any withdrawals.

An RRSP must be converted into retirement income before the end of the calendar year in which you turn 71.



Who can contribute to an RRSP?

- Tax payers who have earned income, as defined under the legislation, or income eligible for a transfer to an RRSP.
- There is no minimum contribution age² and you can contribute up to December 31 of the year you turn 71.

Advantages of an RRSP

- Your disciplined savings approach is immediately rewarded in the form of a tax refund or tax savings.
- Your investment income is not taxed as long as it remains in your plan: your investment returns are sheltered from tax.
- When you reinvest your tax refund, it's as though the government has lent you the money from your taxes interest-free, so that you can make it grow until you retire!
- You won't be tempted to use your savings before you retire, since all withdrawals from the plan are taxed.
- Subject to certain conditions,¹ your RRSP is creditor proof should you have to file for personal bankruptcy.
- You can contribute to your spouse's RRSP.

¹ Except for contributions made to an RRSP contract that is subject to seizure in the 12 months prior to the bankruptcy. An RRSP can only be exempt from seizure if a preferred beneficiary has been designated. To find out more, speak to a legal representative (attorney or notary) about an analysis of your personal situation.

² Have reached the minimum authorized age to own a contract in Canada. The legal age in Quebec is 16 and the legal age in the other Canadian provinces is 18.

How much to contribute?

Every year, after you file your tax return, the Canada Revenue Agency sends you a Notice of Assessment that includes a section entitled “RRSP Deduction Limit.” It indicates the exact amount of your maximum allowable contribution for the following year. This amount is based on your earned income, the annual contribution limit, whether you are a member of an employer pension plan and any unused contribution room, where applicable.

You can contribute an amount that corresponds to 18% of the income you earned the previous year,¹ up to a maximum limit set by the Canada Revenue Agency. This amount is indexed periodically to the growth of the Average Industrial Wage.

RRSP contribution limit

2011: \$22,450

2012: \$22,970

Source: Department of Finance Canada.

Still have some contribution room left? The unused portion will be carried forward indefinitely to use in future years, until you have used it in full. Did you over-contribute? When your contribution exceeds \$2,000,² your excess contribution is subject to a penalty of 1% per month, until it is withdrawn.



¹ If you contribute to your employer’s pension plan, the equivalency factor can modify the calculation of your maximum contribution. Consult the statements provided by your employer.

² Only taxpayers aged 18 and over are entitled to \$2,000 in excess contribution room.

“Borrowing” from your RRSP?

Want to withdraw money from your RRSP? You should know that you cannot recover your right to contribute after you make a withdrawal, as the withdrawal does not free up additional contribution room. The amounts you withdraw will also be added to your taxable income.

However, you can **temporarily withdraw a certain amount from your RRSP without paying tax** to purchase a first home, as part of the Home Buyers’ Plan (HBP) or to return to your studies, under the Lifelong Learning Plan (LLP). For more information, see pages 11 and 12.

Spouses and RRSP

If you have a spouse and you are the higher earner, it may be advantageous to contribute to your spouse’s RRSP. You can use your unused contribution room to do so. The money will, however, be invested in the name of your spouse. You, in turn, will benefit from the tax deductions you would have received had you made this contribution to your own RRSP.

This strategy allows you to reduce the tax bill for both of you at retirement, if your spouse is taxed at a lower rate, because he or she earns less than you do. This is known as **income splitting**. But be careful! If your spouse makes a withdrawal from the RRSP within two years of your contribution year, you’ll be taxed on the withdrawal.

THE TFSA

When life is full of projects...

What is a TFSA?

A TFSA (Tax-Free Savings Account) is a registered plan in which you can set money aside tax-free for various projects throughout your lifetime.

How is it different from an RRSP?

Unlike an RRSP, which is designed to make you focus on your retirement, a TFSA affords a lot of flexibility for using your savings to carry out different projects.

The main difference between the two plans is the tax aspect. Money invested in a TFSA is not tax deductible. Then again, when you make a withdrawal, no tax is charged on the withdrawal.

Subject to the terms and conditions of the investments you selected, you can usually withdraw money from your TFSA at any time and for any reason without tax consequences or the "obligation to replace" the amounts withdrawn.¹

¹ Surrender charges may apply under the rules of your investment product or contract. To find out more about TFSA withdrawals, speak to the TFSA issuer. Source: Canada Revenue Agency, 2011.

Advantages of a TFSA

- The income you earn on your investments is not taxed. Your savings grow sheltered from tax.
- The flexible withdrawal rules allow you to save for a rainy day or a special project.
- Unlike an RRSP, a TFSA allows retirees to grow their savings and shelter them from taxes throughout their lifetime.
- TFSA withdrawals are not considered income when qualifying for certain government benefits. Benefit recipients can therefore use the money in their TFSA and their benefits won't be affected.
- Investors who contribute the maximum to their RRSP have a second savings vehicle that provides tax-sheltered growth.

Who can contribute to a TFSA?

Anyone 18 years of age or over can contribute to a TFSA. There is no age limit.



How much can one contribute?

The contribution dollar limit has been \$5,000 since 2009. In the next few years, it will be adjusted for inflation by increments of \$500 based on the increase in the Consumer Price Index (CPI).

How to calculate your contribution room for a TFSA (as of 2010)

Unused contribution room in the previous year
+ qualifying withdrawals from your TFSA made the preceding year
+ dollar limit for the current year

Example:

Year	Dollar limit	Deposit	Unused	Withdrawal room
1	\$5,000	\$5,000	\$0	\$0
2	\$5,000	\$2,000	\$3,000	\$0
3	\$8,000	\$0	\$8,000	\$1,500
4	\$14,500	\$0	\$14,500	\$0
5	\$19,500			



This example is not adjusted for inflation, which can raise the maximum contribution allowed for a given year.

Excess contributions are subject to a penalty of 1% per month until they are withdrawn.

“Can I re-contribute the amounts I withdrew?”

In 2009, Michael contributed \$5,000 to his TFSA. In 2010, he contributed another \$5,000. Later that year, he decided to withdraw \$2,500 to buy a new bike. Unfortunately, he hurt his knee and has to postpone buying a new bike. Since Michael had already contributed the maximum amount allowed under his TFSA, he had no contribution room left. He had to wait until the beginning of 2011 to replace all or part of the \$2,500 in his TFSA.

Spouses and TFSA

Unlike an RRSP, you cannot use your unused TFSA contribution room to contribute to your spouse's TFSA. Your contributions must always be paid into your own TFSA.

However, you can give money to your spouse, who can then contribute to his or her own TFSA, and you won't be taxed on the income earned in your spouse's TFSA. This provision allows a couple to contribute to each other's TFSA and take advantage of income splitting, even if one spouse does not earn income.

In the case of divorce or separation, if you must share the amounts accumulated in a TFSA, the transfer can be made directly from your former spouse's account to yours, or vice-versa. Such a transfer does not affect either individual's eligible contribution room.

Which investment to choose?

A TFSA offers multiple options and your representative will be able to suggest an investment that corresponds to how you want to use your account. For example, you can choose readily cashable investments to take advantage of the TFSA's flexibility in an emergency or choose to invest in a product with a longer maturity to complete a major project.

As a general rule, since capital losses on investments held in a TFSA (or an RRSP) are not tax-deductible, the experts agree one should choose investments with a low risk of capital loss.

Ask your representative to suggest investments that guarantee the capital invested. These products are ideal for registered plans!

YOUR RETIREMENT

Manage your finances, live your dreams

How much income do you need at retirement?

Most specialists estimate that you need between 60% and 80% of your current gross income when you're retired. This percentage varies based on your income, the lifestyle you wish to maintain, your health and your projects.

With healthier lifestyles and plenty of leisure activities, your retirement will be very different from that of your parents... and could last 25, 30 or even 35 years!



From an RRSP to a RRIF

Under the Income Tax Act, you must convert your RRSP into retirement income before December 31 of the year you turn 71. You can then:

- Withdraw the amounts you have accumulated. However, withdrawals will be taxable in full in the year you do so.
- Convert your RRSP into a Registered Retirement Income Fund (RRIF), which can shelter your investments from tax, although you are required to withdraw a minimum amount each year.
- Purchase a life annuity, which will provide you with a regular income stream for life, or purchase an annuity certain payable to the age of 90.

Don't hesitate to contact your representative to assess all the options available to you!

Income sources at retirement

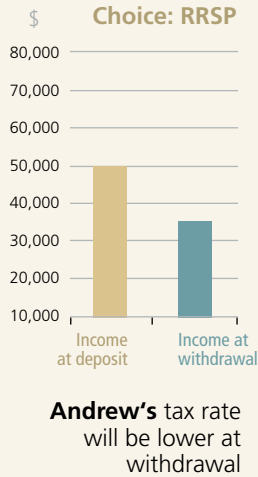
- **Government programs** will not be enough to provide the income you need to meet all your needs. The age at which you retire is also a major factor: the federal government does not pay out Old Age Security before the age of 65.
- **Your employer's pension plan (EPP)** can help reduce the gap between your ideal income and government benefits. Are you among the 39% of employees who belong to an EPP?*
- **Your personal savings** are the key to maintaining a comfortable standard of living, carrying out your projects and providing security for a rainy day.

* Statistics Canada, May 2011.

Tax bill

Let's assume your taxable income were never to change. When you retire, the same investment¹ in a TFSA or an RRSP will leave you with the same amount in your pocket!

In point of fact, your taxable income is very likely to vary throughout your lifetime, depending on a whole range of factors: career development, lifestyle choices, health, retirement, etc. With the option of choosing one of the plans, you can time when your savings will be taxed to coincide when your tax rate will be the lowest.



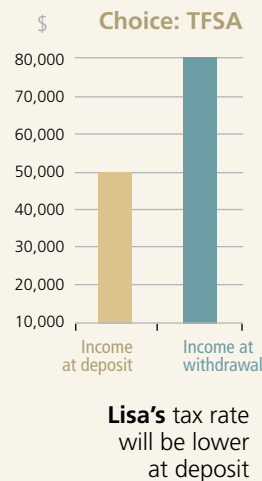
	TFSA	RRSP	Non-registered savings ²
Before-tax income	\$1,000	\$1,000	\$1,000
Tax (rate of 40%)	\$400	\$0	\$400
Net contribution	\$600	\$1,000	\$600
Investment income (20 years at 5.5%)	\$1,151	\$1,918	\$707
Gross proceeds (net contribution + investment income)	\$1,751	\$2,918	\$1,307
Tax (rate of 40%)	\$0	\$1,167	\$0
Net proceeds	\$1,751	\$1,751	\$1,307
Net annual after-tax return	5.5%	5.5%	4.0%

Source: Department of Finance Canada.

Examples:

At age 55, Andrew is at the pinnacle of his career. He would like to receive the equivalent of 70% of his current income at retirement. Since his income and, consequently, his tax rate will decline, it is in his interest to take advantage of the tax deduction that an RRSP offers on his contributions, while he is still earning a higher salary. Andrew is therefore better off maximizing his RRSP contributions for now.

Lisa, age 58, plans to withdraw a substantial amount of her investments in a few years to make a down payment on a cottage. Since this amount will be added to the amount she will have to withdraw for her regular retirement income, if she withdraws this amount from a TFSA, she is sure not to raise her tax rate, since this withdrawal will not be taken into account in calculating her taxable income.



Tailor-made planning

The plan you choose does not depend solely on your tax bill. Are you looking to maintain a certain discipline when it comes to saving for retirement? Then that's where an RRSP comes in!

But don't forget about your TFSA. Since the amounts withdrawn from the plan aren't taxed, they won't be considered income when it comes to qualifying for Old Age Security and Guaranteed Income Supplement benefits after you retire. Moreover, you can continue to contribute after the age of 71—a significant advantage if your objective is asset growth.

¹ At an equivalent return.

² In the case of non-registered savings, we used a weighted average interest rate of 28% for the calculation.

Retiring soon? Sleep well at night!

There are excellent financial products on the market today that are specifically designed to help pave the way for a carefree retirement. These products offer appropriate protection against market fluctuations and allow you to receive a guaranteed and predictable retirement income for as long as you need. You may find it profitable and reassuring to begin planning at least a few years before you do actually retire. Talk to your representative!



YOUR PROJECTS

Plan your dreams

What is the difference between a dream and a project?

Planning... which can help you bridge the gap more easily than you think!

Become a homeowner

Buying a home involves some major expenses up front... the down payment, of course, but also appraisal and inspection fees, new furniture, moving expenses, legal fees, etc. Whether you are a first-time home buyer or not, your registered plans can be a stepping stone to launching this adventure.

The Home Buyers' Plan (HBP) allows you to use the funds accumulated in your RRSP to buy or build a home, up to \$25,000 for each spouse, provided neither has owned a residence during the five calendar years preceding the year in which the withdrawal is made.¹ You must begin to repay the money withdrawn in the second calendar year following the transaction. Repayment can extend over a maximum of 15 years, by means of annual payments corresponding to one fifteenth (1/15) of the total withdrawal.

Another option would be **to withdraw your down payment from the savings accumulated in a TFSA.** This option can be worthwhile if you do not qualify for an HBP or if you want to set the pace at which you will resume your contributions to a savings plan.

¹ Contact the Canada Revenue Agency for more information on all HBP eligibility terms and conditions.

Continue your education

Should you wish to finance your education or retraining, or that of your spouse, you can choose to use the savings accumulated in your TFSA or access the Lifelong Learning Plan (LLP).¹

The LLP allows you to make an annual tax-free withdrawal of up to \$10,000 from your RRSP. **IMPORTANT:** This plan cannot be used to finance the training or education of your children or the children of your spouse or common-law partner. You can withdraw up to \$20,000 annually, but you must meet LLP eligibility conditions every year. The Income Tax Act stipulates that you cannot withdraw funds from an LLP after January of the fourth year following the year you made your first withdrawal.

Withdrawal made for LLP purposes in no way change the amount you can contribute to an RRSP, nor the amount you can deduct on your tax return.

Other projects

Because the TFSA regulations facilitate withdrawals from a TFSA, it is the perfect savings vehicle for any project you could wish to realize during your active life: major purchases, parental leave, sabbaticals, travel, a wedding, even annual holidays. Because the return on your investment is not taxed, the money you need to carry out these projects accrues more quickly. Smart!

Plan for the unexpected

A TFSA is an attractive instrument for accumulating funds for a rainy day, since it offers so much flexibility when it comes to making withdrawals. You can use this tax-sheltered “reserve” to pay for urgent repairs, an emergency trip or forced leave, instead of having to borrow the funds, so you can avoid having to pay interest charges on a credit card or credit line. Make sure, however, that you invest in a readily marketable investment. Talk to your representative!

¹ Contact the Canada Revenue Agency for more information on all LLP eligibility terms and conditions.



OVERVIEW

	TFSA	RRSP
Age limit	As of age 18 No maximum age	No minimum age ¹ No later than the year you turn 71
Dollar limit	\$5,000 since 2009, then indexed to inflation in increments of \$500 as per CPI ²	\$22,450 for 2011, indexed to growth in the Average Wage
Contribution room	Equal to dollar limit	18% of income, up to dollar limit
Contributions tax deductible	No	Yes
Withdrawal taxable	No	Yes
Investment income taxable	No	No ³
Impact of withdrawals on income-tested government benefits and tax credits	None	Yes, since it is added to income
Creates contribution room as a result of withdrawals (it is possible to "re-contribute" the amounts withdrawn)	Yes, equivalent to the withdrawal amount (as of the year following withdrawal)	No
Contribution to spouse's account	No, but it is possible to give money to one's spouse (as a gift) so that he or she can contribute to his or her own TFSA	Yes
Tax upon death	No (fair market value at the date of death)	Yes, subject to the exemptions applicable to the spouse and dependent children and grandchildren.

The information contained in this table is taken from and adapted from information provided by the Department of Finance Canada, 2010-2011.

¹ Have reached the minimum authorized age to own a contract in Canada.
The legal age in Quebec is 16 and the legal age in the Canadian provinces is 18.

² Consumer Price Index.

³ Investment income is taxable when withdrawn.

MY PROJECTS

Quick reference

Project	TFSA	RRSP	Notes
Retirement savings	•	•	<p>An RRSP is specially designed to encourage you to accumulate retirement income. However, it must be converted into retirement income by the age limit prescribed by law (see page 9).</p> <p>The TFSA complements an RRSP well and allows you to maximize your contributions and generate taxfree retirement income, without affecting the amount of your income-tested government benefits.</p>
Down payment on a property	•	•	<p>Choose a TFSA or HBP, depending on your situation and financial objectives.</p> <p>Contribute to your TFSA now if you are not eligible for an HBP.</p>
Major expense prior to retirement	•		<p>In addition to not being taxable, withdrawals from a TFSA can be “re-contributed” in full at the pace you set, as of the year which follows the withdrawal.</p>
Major expense at retirement	•	• (RRSP or RRIF)	<p>Withdrawals from a TFSA do not affect your tax rate or your government benefits (Old Age Security and Guaranteed Income Supplement).</p>
Rainy-day fund (repairs, unexpected expenses, etc.)	•		<p>Make sure to choose liquid investments, since your investment may be subject to redemption fees or market value adjustments.</p>
Constituting a legacy (inheritance)	•	•	<p>You can save in your TFSA after age 71, for example, by investing your mandatory RRIF withdrawals.</p> <p>Ask for investments that include a death benefit and inflation protection.</p>

This table is provided for information only. It does not contain any financial or tax advice. Always ask your representative to analyse your personal situation before you choose a plan.

Useful information

YOUR REPRESENTATIVE

Canada Revenue Agency

Request for tax information for individuals:
1-800-959-7383

General information: www.cra-arc.gc.ca

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Choosing Desjardins Financial Security is also choosing Desjardins Group, the largest cooperative financial group in Canada, whose financial stability is recognized by the following credit ratings which are comparable, if not superior to those of the five largest Canadian banks and insurance companies:

- Standard and Poor's AA-
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- Dominion Bond Rating Service AA

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