Presentation for the employees
Carleton University

RRSPs and TFSAs – information to know and help you on your journey to retirement

Policy 60910

Facts, tax and impacts
Today’s agenda

• Sources of income at retirement
• Your group RRSP and its benefits as well as general facts about RRSPs & TFSAs
• Your investment choices
• Tools and services
Review sources of income

- Government retirement benefits
- Employer-sponsored retirement plan
- Personal savings
## Government benefits

### 2023 monthly benefit at age 65

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old age security (OAS)</td>
<td>$688(^1)</td>
</tr>
<tr>
<td>Canada pension plan (CPP) (avg $727)</td>
<td></td>
</tr>
<tr>
<td>Quebec pension plan (QPP)* (avg $600)</td>
<td>$1,306(^2)</td>
</tr>
</tbody>
</table>

**Potential monthly total**

$1,994

More information can be found at:

- [www.canada.ca](http://www.canada.ca)
- [www.rrq.gouv.qc.ca](http://www.rrq.gouv.qc.ca) (*specifically for Qc. residents*)

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Source: www.canada.ca. \(^1\)Basic benefit effective Jan. 1, 2023 (reviewed quarterly and revised as required to reflect cost of living)

\(^2\)Benefit effective Jan. 1, 2023 (indexed annually). \(^3\)Benefit (claw back) repayment income threshold based on 2023 net world income = $81,761 to a max of $134,253
Your Group Retirement Savings Plan

[Diagram showing RRSP* Employee contributions flowing to Retirement funds, which then lead to Retirement income.]

*Registered Retirement Savings Plan
A Registered Retirement Savings Plan (RRSP)

- A savings account registered with the Canada Revenue Agency (CRA)
- Offers tax advantages not available in non-registered accounts
- Can be invested in numerous investments
- You may open more than one
Types of RRSP accounts

- Individual
- Group
- Spousal
RRSP contribution limit

Total amount that may be contributed to a registered plan for which a tax deduction is provided

Refer to your last Notice of Assessment
## RRSP – Know your limits

### Contribution limits

<table>
<thead>
<tr>
<th>The lesser of the two following items:</th>
<th>Unused room carries forward</th>
<th>Must have filed Canadian taxes in previous year to contribute to an RRSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>18% of previous year’s income or the annual RRSP Limit ($30 780 in 2023)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: [MP, DB, RRSP, DPSP, ALDA, TFSA limits and the YMPE - Canada.ca](#)
Your group retirement and savings program

RRSP eligibility
• Employees may join the RRSP immediately.

RRSP contributions
• Employees may make additional payroll contributions up to their CRA RRSP contribution limit.
• Spousal RRSPs are offered.

Withdrawals
• Withdrawal of voluntary contributions is allowed at any time. Taxes and fees may apply.
• Exceptions on withholding tax: Home Buyers’ Plan (HBP) and Lifelong Learning Plan (LLP).
It’s cheaper than you think!

Annual income $50 000
As per a 5% payroll contribution with bi-weekly pay
(For illustration purposes only)

<table>
<thead>
<tr>
<th>Payroll contribution</th>
<th>Immediate tax savings* (30%)</th>
<th>Net cost per pay</th>
<th>Your personal RRSP annual contribution (5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$96</td>
<td>$29</td>
<td>$67</td>
<td>$2 500</td>
</tr>
</tbody>
</table>

*Immediate tax savings
*Tax rate may vary

Amount invested per pay

Net cost per pay

Annual net cost $1 742
## Your group advantage – comparing fees

<table>
<thead>
<tr>
<th>Asset category</th>
<th>Your group investment management fee and expense (IMFOE)* (%)</th>
<th>Sample retail average management expense ratio (MER)** (%)</th>
<th>Your group advantage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset allocation</td>
<td>1.74</td>
<td>2.08</td>
<td>0.34</td>
</tr>
<tr>
<td>Fixed income</td>
<td>1.65</td>
<td>1.76</td>
<td>0.11</td>
</tr>
<tr>
<td>Balanced</td>
<td>1.75</td>
<td>2.27</td>
<td>0.52</td>
</tr>
<tr>
<td>Canadian equity</td>
<td>1.75</td>
<td>2.26</td>
<td>0.51</td>
</tr>
<tr>
<td>Global equity</td>
<td>2.16</td>
<td>2.38</td>
<td>0.22</td>
</tr>
<tr>
<td>International equity</td>
<td>1.76</td>
<td>2.39</td>
<td>0.63</td>
</tr>
</tbody>
</table>

* Averages of the IMFOEs from your plan as at Feb. 2023
** Morningstar Research, December 31, 2022. The mid-range of MERs are selected from the advisor series.
Where to find your RRSP contribution limit

CRA Notice of Assessment
Mailed to you after filing taxes for the previous year

canada.ca
- My Account
- MyCRA

CRA tax information phone service (TIPS) line
1-800-267-6999
Deadline to contribute to your RRSP for the 2022 tax year

Contributions made by **March 1, 2023** can be deducted from your 2022 or 2023 income.
A flexible investment savings plan

Allows you to earn investment income tax-free

You pay no tax when you need to use your money

Contributions aren’t tax deductible
TFSA - Know your limits

<table>
<thead>
<tr>
<th>Contribution limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution limit is a flat dollar amount each year not based on earned income</td>
</tr>
<tr>
<td>Unused room carries forward</td>
</tr>
<tr>
<td>Previous years’ withdrawals will be added to current years contribution limit</td>
</tr>
</tbody>
</table>
Where to find your TFSA contribution limit

- Contact CRA and request a TFSA room statement
- canada.ca
  - My Account
  - MyCRA
- CRA tax information phone service (TIPS) line
  1-800-267-6999
## TFSA contribution room

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Contribution Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$5,000</td>
</tr>
<tr>
<td>2010</td>
<td>$5,000</td>
</tr>
<tr>
<td>2011</td>
<td>$5,000</td>
</tr>
<tr>
<td>2012</td>
<td>$5,000</td>
</tr>
<tr>
<td>2013</td>
<td>$5,500</td>
</tr>
<tr>
<td>2014</td>
<td>$5,500</td>
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<tr>
<td>2015</td>
<td>$10,000</td>
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<tr>
<td>2016</td>
<td>$5,500</td>
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<tr>
<td>2017</td>
<td>$5,500</td>
</tr>
<tr>
<td>2018</td>
<td>$5,500</td>
</tr>
<tr>
<td>2019</td>
<td>$6,000</td>
</tr>
<tr>
<td>2020</td>
<td>$6,000</td>
</tr>
<tr>
<td>2021</td>
<td>$6,000</td>
</tr>
<tr>
<td>2022</td>
<td>$6,000</td>
</tr>
<tr>
<td>2023</td>
<td>$6,500</td>
</tr>
</tbody>
</table>

If you have never contributed to a TFSA, an eligible Canadian could have $88,000 available contribution room as of Jan. 1, 2023.
Tax
Tax advantages of a group RRSP

• Immediate tax savings with payroll contributions
• Contributions reduce taxable income
• Investment growth is tax-deferred
Immediate tax savings with your group RRSP

<table>
<thead>
<tr>
<th></th>
<th>No contributions</th>
<th>Contributing 5% per pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross bi-weekly pay</td>
<td>$1,923</td>
<td>$1,923</td>
</tr>
<tr>
<td>Contribution</td>
<td>$0</td>
<td>$96</td>
</tr>
<tr>
<td>Taxable pay</td>
<td>$1,923</td>
<td>$1,827</td>
</tr>
<tr>
<td>Tax (30%)</td>
<td>($577)</td>
<td>($548)</td>
</tr>
<tr>
<td>Net pay</td>
<td>$1,346</td>
<td>$1,279</td>
</tr>
</tbody>
</table>

It costs $67 to contribute $96!

Assumes $50,000 per year, 26 pay periods (bi-weekly pay), 30% tax
Does tax-deferred mean tax-free?

<table>
<thead>
<tr>
<th>Example</th>
<th>Will your income be higher or lower when you withdraw?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Income</td>
<td>$80,000</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>$20,000</td>
</tr>
<tr>
<td>Marginal tax rate</td>
<td>29.65%</td>
</tr>
<tr>
<td>Tax owing on withdrawal</td>
<td>$5,930</td>
</tr>
<tr>
<td></td>
<td>$45,000</td>
</tr>
<tr>
<td></td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td>20.05%</td>
</tr>
<tr>
<td></td>
<td>$4,010</td>
</tr>
</tbody>
</table>

Source: EY 2022 Personal tax calculator
Tax advantages of a TFSA

• Growth isn’t taxed at the time of withdrawal

• Withdrawn amounts are added back to your contribution room in the following tax year
## Gabrielle’s TFSA tracker

<table>
<thead>
<tr>
<th>Year</th>
<th>TFSA contribution limit</th>
<th>Contribution amount</th>
<th>Unused contribution room</th>
<th>Amount withdrawn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$5,500</td>
<td>$5,500</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2019</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2020</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2021</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2022</td>
<td>$6,000</td>
<td><strong>$500</strong></td>
<td><strong>$5,500</strong></td>
<td><strong>$4,000</strong></td>
</tr>
</tbody>
</table>
What is Gabrielle’s TFSA contribution room for 2023?

Gabrielle’s TFSA contribution room as of Jan. 1, 2023

Unused TFSA contribution room at the end of 2022 ($5,500)

- Total withdrawal made in 2022 ($4,000)
- 2023 TFSA dollar limit ($6,500)
- Total contribution room at the beginning of 2023 ($16,000)
Year-end tax filing

**RRSP**
- Canada Life will send you contribution receipts
- March – December contributions
- January – February contributions
- Enter the total contributions to reduce your taxable income

**TFSA**
- Canada Life will **NOT** send you contribution receipts
- Contribution amounts are reported to CRA

**IMPORTANT**
Starting in 2023, tax receipts will be available on our My Canada Life at Work™ member site.
Where to access your tax receipts

Visit My Canada Life at Work
Impacts
How much will your savings be worth?
Looks like you've got a shortfall

Estimates show you'll need to make some changes to reach your goal.

Save more to reduce your shortfall

Consider increasing your monthly contributions.

Change my info

Savings plans (monthly contributions):

$80

Retirement Age:

65

Retirement goal (Monthly estimate):

$1,600

Agree and then save

☐ I understand this tool is for planning only and no changes will be made to my plans.

Start over  Save my goal

Will you have enough?
Want to make or change your contributions?

It’s quick and easy
Reduced investment management fees (IMFs)

Assumes no further contributions for ease of calculation, interest on the initial investment compounded annually. Based on a 20-year investment at a group plan rate of return (which includes fees) of five per cent and an individual savings plan rate of return (which includes fees) of four per cent.

IMFS are also referred to as management expense ratios or MERs.
Withdrawals
Consequences of pre-retirement RRSP withdrawals

1. 10-30% of withdrawn amount withheld by financial institution

2. Withdrawn amount must be added as income when filing taxes. Additional tax may be owed.

3. Loss of future gains on amount withdrawn and loss of contribution room.
Before you make a withdrawal from your retirement savings

Financial well-being

- My Canada Life at Work
- Budgeting
- Budgeting tips
- Net worth
- Credit reports
- Credit scores
- Credit alternatives
- Debt management
- Debt management solutions
- Simply speaking newsletter
- Additional resources

Impact of withdrawal tool

- How old are you?
  - 40
- At what age do you want to retire?
  - 65
- What is your current total retirement savings?
  - $200,000
- What is your annual rate of return?
  - 5%
- How much are you looking to withdraw now?
  - $10,000

Here are your results

Based on your information, here’s a breakdown of the effect of your early withdrawal.

If you withdraw $10,000
Your loss by age 65 would be: $33,864

Visit canlife.co/wellbeing
Visit smartpathnow.com
Helpful resources

- RRSP savings calculator
- CRA
- canada.ca
- canlife.co/RRSPbasics
Your investment options

Which strategy suits you the best?
What type of investor are you?

Hands-off approach where you allow the experts to handle your investments
  ▪ Portfolio Target Risk Funds

Hands-on approach where you actively manage your investments
  ▪ À la carte funds
Why choose a target risk fund

- **Easy to choose**
  Select one fund

- **Managed to minimize risks**
  Made up of different types of investments to help minimize ups and downs of the market

- **Hands off**
  Professionals manage and adjust investments in the fund for you
How a target risk fund works

There are five target risk funds made up of a mix of investments based on investors’ comfort with risk. From conservative to aggressive, there’s a fund for everyone.

For illustration purposes only, the chart illustrates the approximate percentages of holdings. The actual asset percentages will vary.
Investment personality questionnaire

Want to find out how comfortable with risk you are? Let's take a look.
Select a fund to match what type of investor you are

<table>
<thead>
<tr>
<th>If your score is between</th>
<th>You are a</th>
<th>The corresponding fund is</th>
</tr>
</thead>
<tbody>
<tr>
<td>105 or less</td>
<td>Conservative investor</td>
<td>Conservative Fund</td>
</tr>
<tr>
<td>106 to 135</td>
<td>Moderate investor</td>
<td>Moderate Fund</td>
</tr>
<tr>
<td>136 to 164</td>
<td>Balanced investor</td>
<td>Balanced Fund</td>
</tr>
<tr>
<td>165 to 199</td>
<td>Advanced investor</td>
<td>Advanced Fund</td>
</tr>
<tr>
<td>200 or more</td>
<td>Aggressive investor</td>
<td>Aggressive Fund</td>
</tr>
</tbody>
</table>

- Five funds are modelled after five investor types
- Match investment personality questionnaire score to a fund
Create your own portfolio

1. Know your investment personality
   - Define your investment objectives
   - Determine your risk tolerance and investment horizon

2. Understand your investment options
   - Go to mycanadalifeatwork.com > Manage portfolio > Investment > Funds and fees

3. Make your selections and monitor
   - Online – mycanadalifeatwork.com
   - 1-800-724-3402
Tools and resources
Who are our Health and Wealth Consultants?

• 29 experienced, nationally licensed (LLQP) professionals that provide guidance to plan members

• Languages: English, French, Spanish, Mandarin (Traditional and simplified Chinese), Hindi, Punjabi, Arabic, Gujarati, Marathi

• Trained extensively on both investments and insurance

• Salaried, non-commission Canada Life employees

• Available by appointment through phone or video chat

• Located across Canada, Monday to Friday, 8 A.M. - 8 P.M. EST
Connect with your consultant

A consultant can help you:

• Help you open your RRSP account online
• Understand the details of your plan
• Plan for your goals, big and small
• Answer your group plan questions
• Consolidate assets
Book your appointment today.

It’s like having a personal trainer for your group plan, at no extra cost.

Visit canlife.co/Bookanappointment to book an appointment.

Real people, real connections and real solutions.
Savings - Manage portfolio
Support for all stages:
• Getting started
• Getting serious
• Getting close

No logging in needed:
• Share with friends and family
Canada Life services and support

Contact Canada Life
1-800-724-3402
8 a.m. to 8 p.m. ET
Monday-Friday

Tech Line
1-888-222-0775

Member website
- Create a retirement goal
- Check balances
- Research investments
- Change investments
- Access statements
- Education
mycanadalifeatwork.com

Retirement education
- Articles
- Calculators
- Videos
- Links to external resources
smartpathnow.com

Book a consultant
canlife.co/Bookanappointment
THANK YOU

Mark your calendars for the upcoming multi-employer session on May 17, 2023.