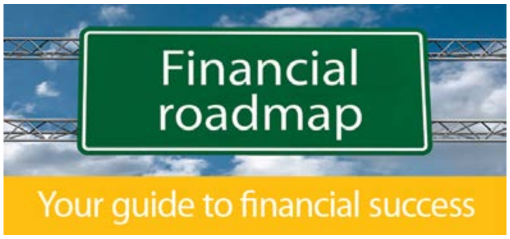


June 2015

About RRSPs and TFSAs

Registered Retirement Savings Plans (RRSPs)

In Canada, an RRSP is considered the most tax effective retirement savings vehicle available to individuals.

An RRSP is a special type of investment account, registered with the federal government, designed to help Canadians save for retirement. The main advantage of an RRSP account, as compared to a regular investment account, is the tax benefits it offers.

The advantages

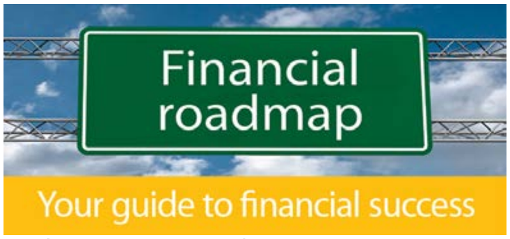
There are four main advantages to saving in an RRSP account compared to saving in a non-registered account such as a savings account at your bank.

- **Tax deduction**
  Your contributions are tax deductible. That is, your taxable income is reduced by the amount you contribute, up to the allowable maximum. In effect, you save with before-tax dollars.
- **Tax deferred growth**
  All investments in your RRSP account grow tax deferred. In other words, any profits made on investments within your RRSP in the form of interest, dividends or capital gains are not taxed until withdrawn. Therefore, your money grows faster.
- **Lower overall taxes**
  By the time you begin to withdraw funds at retirement, you will probably be in a lower tax bracket than during your working years. Funds withdrawn at that time will benefit from this lower tax rate and you will pay less tax overall.
- **Income Splitting**
  Through a spousal/common-law partner RRSP, a high income earner may split income with a lower income spouse, thereby benefiting from a lower tax rate at time of withdrawal.

RRSP contributions

Each year, the Canada Revenue Agency (CRA) determines your deductible RRSP contribution room. Your RRSP contribution room is reported each year on your Notice of Assessment, which is sent to you by the CRA after you file your annual income tax return.

Your RRSP contribution room takes into account both the UVic Pension Plan and any unused RRSP contribution room you may have from previous years. You can carry forward your unused RRSP contribution room until you reach age 71. Plan to use your unused RRSP contribution room in taxation years where you expect to have high income. Remember that the sooner you start your contributions to an RRSP, the longer you can take advantage of the tax deferred compounding of the investment income earned inside your RRSP. However, it is never too late to make your contributions.



Spousal or Common-Law Partner RRSPs

With a regular RRSP, you contribute to an account registered in your own name. A spousal/common-law partner RRSP provides a means of income splitting. The RRSP is registered in your spouse's/common-law partner's name but you make the contributions to it.

The higher income spouse/common-law partner (the contributor) contributes to an RRSP on behalf of the lower income spouse/common-law partner (the annuitant). The contributor claims the RRSP deduction, but any amounts withdrawn from the account, subject to certain conditions, will be considered taxable income for the annuitant.

Whether you contribute to your own RRSP, a spousal/common-law partner RRSP, or both, you cannot contribute more than your RRSP contribution room allows. Your spouse's/common-law partner's own contribution room is not affected by the contributions you make to the spousal/common law partner RRSP. You can continue to contribute to a spousal/common-law partner RRSP until the end of the year in which she/he turns age 71.

Generally, only the annuitant is entitled to withdraw funds from a spousal/common-law partner RRSP. If funds are withdrawn within three taxation years of a contribution to a spousal/common-law partner RRSP, all or part of the withdrawn amount will be taxed as income to the contributor and not the annuitant. As a result of this rule, it is preferable to contribute to a spousal/common-law partner RRSP in the current year rather than at the beginning of the following year. To avoid income attribution to the contributor, make sure that you have not contributed to a spousal/common-law partner RRSP in the year of withdrawal or in the two taxation years preceding a withdrawal.

An RRSP is considered the most tax effective retirement savings vehicle available to Canadians.

After Age 71

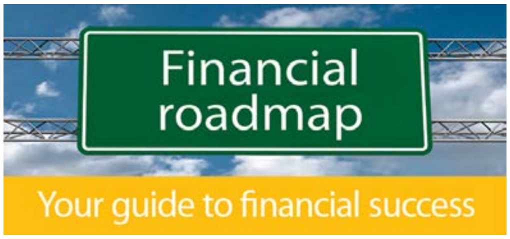
In the year in which you turn age 71 you will have the following options to choose from:

- Cash out your RRSP and pay tax on the amount withdrawn.
- Transfer the assets in your RRSP to a Registered Retirement Income Fund (RRIF) and pay taxes on the periodic amounts withdrawn (subject to a legislated minimum amount every year).
- Use the funds in your RRSP to purchase an annuity from an insurance company. You would pay tax on the annuity income as you receive it.
- A combination of the above options.

The same options apply to a spousal/common-law partner when she/he turns age 71.

Investments in an RRSP

Please note that RRSPs are savings accounts registered under the Income Tax Act, Canada and not investment products. Inside the RRSP account, you may invest your money in qualified investments such as GICs, government and corporate bonds, mutual funds, and any stocks listed on a recognized stock exchange. The return on your investments is linked to the performance of the underlying investments. A poor or strong return earned on your savings is a result of the underlying investments and should not be interpreted as a strength or weakness of the RRSP as a general retirement savings vehicle.



Tax–Free Savings Accounts (TFSAs)

A TFSA is a flexible savings account which may be used for general purposes. It complements an RRSP.

The TFSA was first introduced in the 2008 federal budget. TFSAs are available to individuals aged 18 or older who have resided in Canada since January 1, 2009.

While contributions to a TFSA are not tax-deductible, the investment income earned is tax-free. In general, the term “tax-free” applies only to the investment component of your savings since the contributions are made with after-tax dollars. Withdrawals from a TFSA are not taxable.

In cases where a TFSA holds a foreign stock that pays a foreign dividend , the foreign dividend will be subject to tax in that foreign country without the usual offset to Canadian taxes. Such investments should generally not be held in a TFSA.

Each year, starting in 2009, Canadian tax payers can make a non-tax deductible contribution to a TFSA. The maximum annual contribution initially started at $5,000 and was increased to $5,500 in 2013. This contribution room is not linked to the individual’s income and can be carried forward indefinitely to future years. Any amount withdrawn from a TFSA creates additional contribution room in the next taxation year following the withdrawal. There is no age limit for contributions and no mandatory withdrawal age.

Each year, the CRA determines your allowable TFSA contribution room. To find out what your current TFSA contribution room is, refer to your most recent Notice of Assessment, which is sent to you by the CRA each year after you file your annual income tax return. Alternatively, you can visit the CRA website at http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/tfsa-celi/cntrbtn-eng.html.

Unlike an RRSP, individuals cannot set up a spousal/common-law partner TFSA.

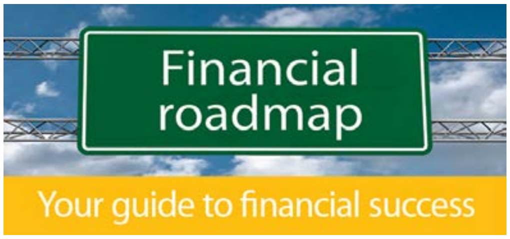
> The investment income earned in your TFSA is tax-free.

Investments in a TFSA

Please note that similar to RRSPs, TFSAs are savings accounts registered under the Income Tax Act, Canada and not investment products. The return on your investments is linked to the performance of the underlying investments. A poor or strong return earned on your savings is a result of the underlying investments and should not be interpreted as a strength or weakness of the TFSA as a general savings vehicle.

RRSP or TFSA – which one is right for you?

An RRSP contribution is made with before tax dollars, the investment build-up is tax deferred and the payments out are taxed. TFSA contributions are made with after tax money, the investment build-up is tax free and payments out are not taxed. If you expect your marginal tax rate at retirement (including OAS clawback) to be similar or higher than at present then a TFSA is preferred. If your marginal tax rate now is much higher than it will be after retirement then the RRSP is preferred. What is important is that you take advantage of one or both of the RRSP or the TFSA to the maximum extent you can, and the earlier the better. The tax free build-up of investment income means that either option will generally outperform all other forms of saving for retirement.



In deciding between an RRSP or a TFSA, take the purpose of the saving into consideration. If the purpose is long-term saving for retirement, then RRSPs generally remain the most effective retirement savings vehicle available to Canadians. If the purpose of the saving is general and short-term in nature, where the funds will need to be accessed before retirement, then saving through a TFSA may prove to be the most appropriate.

The following is a brief comparison of an RRSP and a TFSA.

	RRSP	TFSA
Purpose	• Retirement savings	• General (e.g. consumer spending)
Contributions • Tax status • Limit • Age limit	• Tax deductible • Higher limit • Age 71	• Not tax deductible • Lower limit • None
Investment income • Tax status • Types of investment	• Tax deferred • Prescribed by the Income Tax Act	• Not taxable • Same as RRSP
Withdrawals • Tax status • Impact on future contributions • Impact on other income	• Taxable at rate in effect at time of withdrawal • Room lost once withdrawn • Affects eligibility for OAS, GIS, age tax credit	• Not taxed • Withdrawals create new room • Not included in income
Income splitting	• Possible	• Not possible
Optimal Use	• Marginal tax rate during working years exceeds that at retirement	• No difference between before and after retirement tax rates • RRSP contribution room maximized • No more RRSP eligible earnings (retirees) • OAS, GIS recipient