

## Group registered retirement savings plan (RRSP)

### Advantages

- May be a purely voluntary plan and/or include employer contribution.
- No provincial legislation – employer has considerable flexibility.
- No restrictions on eligibility or timing of employer contributions. (Member contributions should be submitted on a monthly basis as a minimum.)
- Employer contributions can be random or scheduled.
- Members can make additional lump-sum contributions at any time.
- Contributions aren't locked in.
- Spousal plans are allowed, which enhances income splitting in retirement. The contributor claims a deduction for the contributions but withdrawals within three years of contribution are taxed back to the contributor.
- If permitted by the plan, assets can be used for Home Buyers' Plan (HBP) and Lifelong Learning Plan (LLP) as outlined under the Income Tax Act. Members have maximum flexibility on termination, death or retirement. All assets can be taken in cash, transferred to an RRSP or registered retirement income fund (RRIF) or used to purchase an annuity.
- No plan-level government reporting by the employer (service provider issues contribution receipts and tax slips).

### Considerations

- Members own all of the assets in their accounts.
- Withdrawals from the group RRSP can be restricted by the sponsor/employer.
- Assets can be used by the member for any purpose and not necessarily for the purpose the employer may have intended, such as retirement.
- Employer contributions are deemed taxable income and any applicable payroll taxes will be required, including employment insurance, Canada pension plan, Workers' Compensation and health taxes.
- Administration fees paid by the employer are a taxable benefit to the employee; however, they're a deductible business expense for the employer.

For informational purposes only. While the material is believed to be true as of June 2009, this is not intended to provide individual or business tax advice. It does not represent a full description of all applicable legislation, and is subject to change. Plan sponsors may impose restrictions on their plans. Always check with your professional advisors for legal or tax advice.