



# The Equity RRSP

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## WHAT IS AN RRSP?

The Registered Retirement Savings Plan (RRSP) should be an important component of your overall financial plan. It offers the opportunity to save on current taxes while providing for retirement needs in the future. The Canadian Actors' Equity Association RRSP is provided by Group Retirement Services (GRS), Great-West / London Life (GWLL).

By contributing to an RRSP you can reduce your taxable income by the amount of your contribution. Furthermore, the interest or other income you earn on the investments held in your RRSP is exempt from tax. You don't pay income tax on it until you withdraw the funds. Unlike other investments held outside an RRSP, the income earned on your RRSP is not eroded by tax. This means all of the income earned is compounded year after year, providing you with an effective means of saving for your retirement.

When you take funds out of your RRSP, the amount withdrawn is taxable as income. However, most people are in a lower tax bracket when they reach retirement, and therefore pay less tax when the amount is withdrawn in years with lower income.

## HOW DO I REGISTER?

We will provide you with a package from Great-West / London Life, which includes an application and lots of useful information. Don't wait; fill out the application right away. As an Equity member you must open an RRSP or you will lose the contributions made on your behalf. If you have neglected to open an RRSP, the unclaimed contributions are donated to the Actors' Fund of Canada after one year.

## DO I CHOOSE WHERE MY MONEY GOES?

Great-West / London Life offers a variety of funds to meet every investor's needs. Whether you want to invest conservatively, aggressively or somewhere in between, there will be a fund that will suit your goals. The package you receive from Great-West / London Life explains the various funds. Included in the package is an investor profile questionnaire which is designed to show you which investments are right for you. You may change your investment selection whenever you see the need.

If you don't select an investment fund your money will automatically go into the "balanced fund." The balanced fund is a mixture of stocks and bonds that is designed for the average investor.

## HOW DO I CONTRIBUTE?

As a condition of most of the agreements negotiated by Equity, a deduction is made each week from your fees and remitted to Equity. In most agreements, the deduction is six (6) per cent. Naturally, you must have opened an RRSP to receive these contributions.

Voluntary contributions may be made to your plan at any time throughout the year. Cheques for your contribution should be made payable to GWLL and sent directly to them or to the National office with a note indicating that you are making a voluntary contribution. Please make sure that your name, policy number 61409 and your member number (or social insurance number (SIN)) are on both the letter and the cheque.

## **WHO CAN CONTRIBUTE TO AN RRSP?**

As an Equity member you are obliged to open an RRSP in accordance with the constitution and bylaws of the association.

Anyone who has earned income as defined by the Canada Revenue Agency (CRA) can contribute to an RRSP up to the end of the year they turn 71, or to an RRSP for their spouse if their spouse has not yet turned 71. You must have a Canadian social insurance number to open an RRSP. You may apply for a social insurance number from Citizenship and Immigration Canada or at a CRA office.

Child Probationary members (anyone under the age of 16) are not permitted to open RRSP's.

Citizens of the United States of America working in Canada are eligible for RRSPs provided that they have a SIN. Canadian Actors' Equity Association and Actors' Equity Association (US) have a reciprocal agreement, which permits the transfer of retirement funds between countries. The following sections explain this more fully.

Other foreign artists who are not residents of Canada are not permitted to open RRSPs.

## **WHAT IF I WORK IN THE USA?**

Canadians working in the USA have retirement contributions made on their behalf to the Equity League Pension and 401(K) Trust. However, eligibility for pension benefits after retirement is based on working in AEA jurisdiction for a minimum number of weeks in up to 10 years. For those anticipating that they will not meet the minimum requirements, Canadian Actors' Equity Association has an arrangement with Actors' Equity Association (US) that allows pension contributions earned under the US Production Contract to be deposited entirely into the 401(k). You must decide for yourself whether over the course of your career you will get enough work in the US for vesting in the American Equity Pension. If you believe you will, you don't need to do anything.

If you do not believe you will vest, you must arrange with the producer and American

Equity to designate the 401(k) as your primary fund by completing the appropriate form. All retirement contributions, including pension, will be deposited to your 401(k). At a later date you may wish to have these funds withdrawn and deposited into your Canadian RRSP. The contributions will be considered taxable income in the year in which they are earned in both the US and Canada but a US tax credit may offset some of the cost. Furthermore, there is a penalty for early withdrawal from a 401(k). Despite these disadvantages it may be the appropriate choice because the alternative may be to forfeit all pension benefits. On the plus side, the contribution amounts in the US are much higher than in Canada. If the funds are eventually transferred to your RRSP, the amount contributed to your RRSP will reduce your income by the same amount. If you have any questions or need further clarification, please contact American Equity.

## **WHAT IF I AM AMERICAN?**

American members of Actors' Equity Association working in Canada under a CTA/ITA contract may divert their RRSP contributions to the Equity-League Pension. The RRSP may offer you very limited tax advantages and contributing to your US pension is generally more beneficial. If you choose to have your funds sent to American Equity, you must arrange with the producer and Canadian Equity to designate your Equity League Pension as your primary fund by completing the appropriate form. Information on this process is available from the national office.

Those not working on CTA contracts should open an RRSP particularly if you expect to work in Canada on more than one engagement or on an engagement spanning calendar years. If you do not open an RRSP, you must request the return of your RRSP contributions at the end of your engagement by writing to the national office.

## **HOW MUCH CAN BE CONTRIBUTED?**

The CRA will advise you of your annual contribution limit. The information is found on your Notice of Assessment issued for your previous year's income taxes. This is the maximum amount that can be deducted from income earned and contributed to the RRSP. The difference between what you are allowed to contribute and the amount that you do contribute is also calculated by CRA. This amount called the "contribution room" is available for contribution in future years.

The maximum that you can contribute in 2010 is \$22,000 or 18 per cent of earned income. There is a maximum lifetime allowance for over-contribution of \$2,000. Those who had no earned income in the previous year may find this useful.

The amount that a person may deposit into an RRSP in a given taxation year is based on the individual's earned income for the prior taxation year. Most Equity members are self employed and earned income is the amount remaining after your expenses have been deducted from all professional income plus any employment income you may have had. Generally, the higher the earned income, the higher the contribution level.

## **WHAT IF I OVER-CONTRIBUTE?**

Because the rules for RRSP contributions are based on employment income, many self-employed participants have problems with over-contribution. Most Equity contracts generate an RRSP contribution of six per cent of the fee. That is income before expenses are deducted and the net income for the previous year on which the contribution level is based can be considerably lower. With the fluctuations in income from year to year that many members experience, six per cent one year can easily be greater than 18 per cent of the previous year's earned income. If you contribute more than your contribution limit, you will be subject to a one per cent penalty tax per month to the extent that the over-contribution exceeds \$2,000. A form T3012 is used to remove the funds from the plan without having income tax deducted. The form must be approved by the CRA before being submitted to Great-West / London Life for the refund. A T746

may be used during the year in which the over-contribution is going to occur but is subject to tax deduction, which will be refunded when you file your tax for the year.

## **HOW DO I KNOW HOW MUCH I HAVE?**

You will receive a quarterly statement. All of your investments will be listed with the return as well as the transactions on your account. If at any time you want more information, contact Great West London Life.

## **IS THERE ANY COST TO ME?**

No, there is no charge to you for opening or maintaining your account. All of the fees are charged to the funds themselves and because this is a group plan the fees are much lower than comparable "retail" funds available to you through banks or other financial institutions.

## **HOW DO I WITHDRAW FUNDS?**

Applications for withdrawal should be made directly to Great-West / London Life by calling: 1-800-465-0517.

Withdrawals are subject to income tax deductions. There is no service charge for the first withdrawal or transfer in the calendar year. A charge of \$25.00 is applied on the second and subsequent withdrawal or transfer.

## **CAN FUNDS BE TRANSFERRED BETWEEN RRSPs?**

Transfers may be made to any other RRSP that you own and are not subject to withholding tax. Transfers into your Equity plan must be arranged through Great-West / London Life who will then send the Transfer Authorization Form to you for signature. You can then send this to the institution from which you are transferring funds. The financial institution from which you are transferring your money may have a service charge but there are no charges at GWLL for this service.

If you wish to transfer your Equity RRSP funds out, you must first arrange with the recipient bank to receive your money. They will forward the appropriate documentation (T2033) to Great-West / London Life. The first transfer per year is free but a \$25.00 fee is charged and all subsequent transactions.

### WHAT ARE SPOUSAL RRSPs?

If you are in a permanent relationship (married, common law, same sex partners) you may open and contribute to an RRSP in the name of your spouse or partner. The advantage to a spousal plan is that in retirement the tax on an amount split between two people will be lower. It is the person making the contribution who receives the income tax deduction. Whether contributions are made to an individual's own plan or to their spouse's plan, the total of the contribution limit cannot exceed the individual's contribution limit for that taxation year.

The conditions for making withdrawals are more limiting than those set out for an account to which no spousal contributions have been made. For this reason, always-open separate plans to keep the spousal and regular deposits divided. Withdrawals from a spousal RRSP are taxable in the hands of the contributor to the extent of any contributions made in the year of the withdrawal and the two preceding calendar years. After three years, withdrawals are taxable in the hands of the spouse.

### CAN IT BE USED FOR THE HOME BUYERS PLAN?

Yes, the home buyers plan is a method whereby you may borrow up to \$20,000 from your RRSP to be applied to the purchase of a home. You must then repay the money to the RRSP in equal instalments for 15 years. Repayments are made like any other contribution to your RRSP but Schedule 7 of the income tax return is used to identify it as a repayment. If the full amount of the repayment required in a given year is not made, the difference is considered taxable income in that year.

### WHY SHOULD I DESIGNATE A BENEFICIARY?

When you open an RRSP you are given the opportunity to designate a beneficiary. You may change your beneficiary whenever appropriate by contacting Great-West / London Life. If you do not designate a beneficiary, upon your death the RRSP will be included in your estate and may be used to cover outstanding debts such as taxes. Upon your death, the RRSP is collapsed and included in your final tax return. It is important to ensure that the beneficiary designated on your RRSP doesn't conflict with the terms of your will. If your spouse is your beneficiary, the value of your RRSP can be included in his or her income instead of being included in your final return. Your spouse may then transfer the funds to their own RRSP and gain the tax advantage. Laws vary from province to province and it is best to seek professional advice in this area.

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