Canadian Investments

Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_/16 Marks

1. Fill out the following table about RRSP’s vs TFSA’s ( 6 Marks)

TFSA

1. Invest after tax income
2. Withdraw tax free

RRSP

1. Invest pre-tax income
2. Pay taxes when withdrawn
3. Own a variety of forms of investments
4. Interest/earnings is tax sheltered
5. What do the following acronyms stand for and what are they for: (2 marks)

CPP- Canadian Pension Plan – Pay now, receive latter

OAS-Old Age Security- Everyone receives

1. Describe how you can calculate how much money you will need to retire.(3 marks)

Step #1- Figure out retirement budget

Step #2- Calculate Budgets value when you want to retire

Step #3- multiple monthly budgets by expected time you expect to retire

1. Why does the CESG make RESP’s so attractive?

The Government gives investors a 20% grant on investments up to $500 a year

1. What can a parent do if they don’t maximize their child’s RESP’s.

They can pay extra to make up for missed years one year at a time.

1. What is the difference between Individual/Family RESP plans and group plans?

Family/Individual plans you can start and stop contributing anytime while group plans have a restrictive and set contribution schedule.

1. How will withdrawing an RESP affect your income tax as a student when you with draw for school expenses?

You will be taxed on the GESG along with the interest/return you received while the investment was in the RESP.

1. What will happen to your RESP account if you close it because you are not going to school.

The Government will take back their CESG and you will face a punitive tax of 20% on top of your marginal tax bracket.