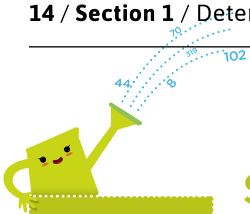


Tip

Save first, spend later.

We often hear that it is hard to put money aside. Make saving a priority. It is a good way to maintain the standard of living you want in retirement.

If you start saving early, you won't have to ramp up your efforts right before you retire.

That's why we suggest you use a method that allows to have savings deducted directly at source. The process is painless because money is set aside before you can get your hands on it.

4 YOUR PERSONAL SAVINGS

You can build your personal savings in two savings vehicles: registered investments and unregistered investments.

4.1 REGISTERED INVESTMENTS

1. RRSP

Savings invested in a registered retirement savings plan (RRSP) are sheltered from taxes as they grow. That's why RRSPs are said to offer tax advantages that encourage investment for retirement purposes. An RRSP can include several types of investments: stock shares, bonds, guaranteed investment certificates, etc. Amounts invested in an RRSP are deducted from your net income, which lowers your taxes for the year during which you invested. However, once you withdraw from an RRSP, the amounts are taxable income. Therefore, RRSPs allow you to postpone payment of your taxes to a later date, when your tax rate should be lower.

The maximum contribution to an RRSP is 18% of earned income, up to $26,500 in 2019 and $27,230 in 2020 (less if you contributed to an SPP or VRSP). To find out how much you can contribute to your RRSP, consult the Notice of Assessment that you receive annually from the Canada Revenue Agency.

An RRSP offers a number of advantages:

> You have the possibility of using funds in an RRSP to finance the purchase of your first home through Home Buyers' Plan (HBP)* or further your education through the Lifelong Learning Plan (LLP), under certain conditions.

> You have the possibility of converting it into an annuity or registered retirement income fund (RRIF).

> You have the possibility of drafting strategies to split income at retirement through a spousal RRSP. Before contributing, consult a specialist to find out the consequences in case of separation if you are de facto spouses.

* Under certain conditions, you can participate in the HBP even if you already owned a home a few years earlier.

2. TFSA

Available since January 1, 2009, the tax-free savings account (TFSA) is becoming one of the most useful tools for building up savings for retirement. The types of investment available for TFSAs are generally similar to those available for RRSPs.

The TFSA is a savings account into which adults can deposit amounts that will remain sheltered from taxes. It can be used to save money for any reason (the purchase of a home, a car, etc.).

Anyone 18 or over can contribute to a TFSA, which has no maximum age and no income requirements. Unused TFSA contribution room accumulates and can be carried forward.

The TFSA contribution limits were:

2009 to 2012:	2013 to 2014:	in 2015:	2016 to 2018:	2019:
$5,000	**$5,500**	**$10,000**	**$5,500**	**$6,000**

In 2019, the cumulative maximum is $63,500 for a person who was 18 in 2009.

No amount (capital or interest) withdrawn from a TFSA is taxable, and the amounts withdrawn free up more contribution room for future years. TFSA contributions are not tax deductible.

When it comes to taxes, the advantages of using a TFSA for your retirement savings are undeniable: since withdrawals are tax free, they do not negatively affect the various calculations for amounts received from social programs (for example, the Guaranteed Income Supplement, the Old Age Security pension or employment insurance). Also, the amounts accumulated in a TFSA before retirement can be used in an emergency, and any withdrawals create new TFSA contribution room as of the following year.

Table 4 COMPARISON OF RRSPs AND TFSAs

		RRSP	TFSA
DATES AND AMOUNTS PERMITTED	Annual contribution deadline	60 days after the end of the current taxation year, either February 29 or March 1, depending on the case*.	December 31 of the taxation year.
	Annual contribution limit	18% of income earned the preceding year, up to $26,230 in 2018 and $26,500 in 2019 , indexed to the cost of living for subsequent years. Participation in employer-sponsored retirement plans reduces the annual contribution amount.	In 2019, maximum of $6,000 per year as of age 18. The cumulative maximum is $63,500 for those not having reached the annual maximum since the program was established in 2009.
	Age limit	December 31 of the year you reach age 71	None
TAXES	Are contributions income tax deductible?	Yes	No
	Taxable withdrawals?	Yes	No
	Taxable investment income?	No	No
	In case of death	Amounts transferred to a spouse or a disabled child are not taxable. Possible tax relief for amounts transferred to children.	Amounts withdrawn from the account at death are not taxable. They do not affect the contribution room of the spouse who transfers these amounts into their own TFSA.
CONTRIBUTION ROOM	Contribution room available	Corresponds to the unused portion of your maximum annual amount deductible since 1991.	Corresponds to the unused portion of your maximum annual allowable contributions since 2009.
	Excess contributions	Penalty of 1% per month (lifetime excess contributions of $2,000 allowed)	Penalty of 1% per month
	Do withdrawals increase contribution room?	No	Yes. Withdrawals add to the contribution room for the following year**.
	Spousal contributions	Possible. The contributing spouse claims the tax deduction even if he or she is not the beneficiary.	Considered a deposit by the spouse themselves. The surviving spouse may only transfer the deceased spouse's sums to his or her account upon death, without any impact on his or her contribution room.
OTHER CONSIDERATIONS	Can it be used as collateral for a loan?	No	Yes
	Impact of withdrawals on benefits from social programs	Withdrawals are added to taxable income	None

* For example, on March 1, 2018 to reduce your taxable income for 2017. ** Withdrawals from a TFSA account in a year do not reduce the total amount of contributions already made in that year. However, they are added to the cumulative maximum from the following year, i.e. that they increase the contribution room for the following year. Please refer to the Government of Canada site for more details.

Avoid dipping into your RRSP before retirement

(Except when taking advantage of the HBP or the LLP)

You may be tempted to dip into your RRSP before retirement. To help you resist that temptation, consider the following:

> Any funds you withdraw today will deprive you of much larger sums that would otherwise be available in retirement. For example, at an average annual rate of return of 5%, a withdrawal of $5,000 made today will deprive you of $21,610 in 30 years. Think it through!

> Amounts withdrawn from an RRSP do not free up contribution room for subsequent years: your used contribution room is gone for good.

> Any money withdrawn from your RRSP is deemed to be taxable income. The cost could be high. For example, at a 40% tax rate, a withdrawal of $5,000 will cost you $2,000 in taxes.

Choose Periodic Contributions

It is generally better to contribute a little each month to your RRSP or TFSA rather than make one large contribution at the end of the year. Why? Because each month, interest accrues tax free on every dollar invested.

Age Limit for RRSP Contributions

You can contribute to an RRSP until December 31st of the year in which you reach age 71. Three options are then available: withdraw the entire amount of your RRSP (rarely to your advantage), purchase an annuity or convert your RRSP into a registered retirement income fund (RRIF).

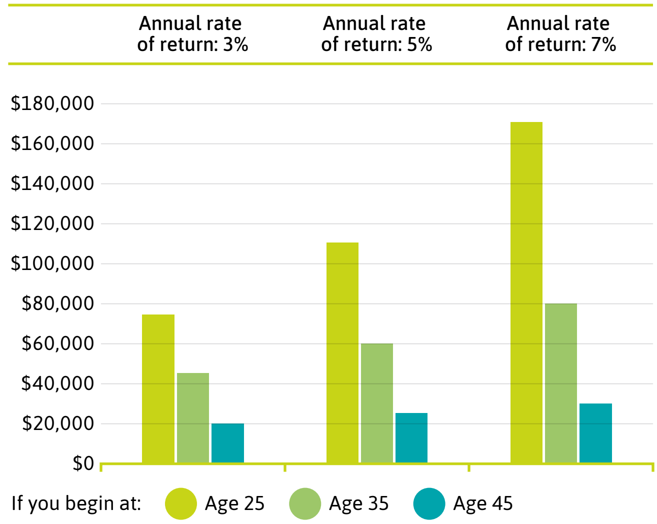
You can also combine these strategies. An RRIF is similar to an RRSP in that it allows your savings to grow tax free. The main difference is that you must withdraw a minimum amount from your RRIF every year, which is then considered taxable income.

Even if you can no longer contribute to your RRSP, if your spouse has not yet reached age 71, you can continue to contribute to a spousal RRSP with all the tax advantages. You must have RRSP contribution room, and the tax refund will go to you. Your spouse's RRSP contribution room will not be affected. From a legal standpoint, however, the amounts contributed belong to your spouse. This may have consequences in the event of the breakdown of the couple's union if the couple is not subject to the rules of partition of family patrimony.

There is no maximum age limit for contributing to a TFSA.

Chart 3 MONTHLY SAVINGS

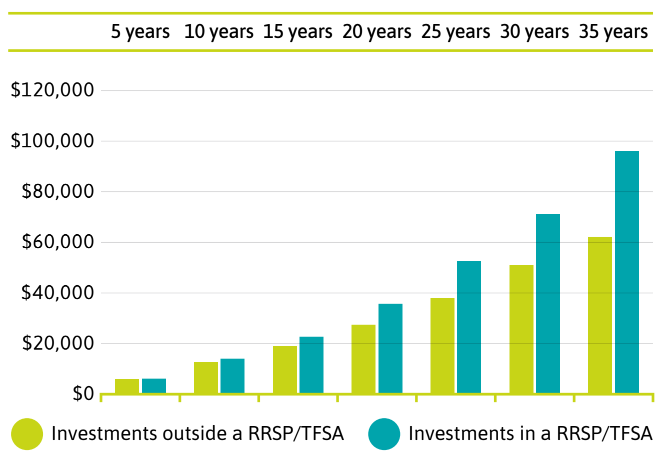
Savings of $100 a month until age 60



As you can see, by saving a little each month, you accumulate money easier without undue pressure on your budget. If you are disciplined, you can save money from each pay cheque and accumulate even more.

The following chart shows the growth of investments in two interest-bearing vehicles, one registered, the other not. We took into account both the tax reduction obtained (40%) by contributing to the RRSP and the income taxes payable (40%) by withdrawing the amounts from the RRSP.

Chart 4 THE REGISTERED SAVINGS ADVANTAGE*



* Growth of an annual contribution of $1,000 in an RRSP or TFSA and in an unregistered savings vehicle. The assumptions are as follows: annual rate of return of 5%, marginal tax rate of 40%, payments made at the beginning of the year.

4.2 UNREGISTERED INVESTMENTS

1. Traditional unregistered investments

If you have maximized your RRSP, TFSA and SPP or VRSP contributions, there is no reason you cannot save more for retirement by making unregistered investments outside an RRSP or TFSA. However, income generated by unregistered investments is taxable. One common strategy is to:

> put all interest-bearing investments into an RRSP or TFSA.

> put all investments that pay capital gains into an unregistered account.

For tax purposes, interest income is not treated the same as dividends or capital gains. Therefore, the taxes payable on interest earnings are greater than the taxes that apply to dividend and capital gains income.

In your RRSP or TFSA, investments such as publicly-traded shares or certain mutual fund shares generate dividend income or capital gains. You therefore lose the tax break you would be eligible for otherwise. A financial planner can help you draft an investment strategy that weighs these factors.

2. Unregistered tax-advantaged fund

In addition to traditional unregistered investments, you can invest in unregistered tax-advantaged funds. Although tax-advantaged funds are less flexible than other types of funds in terms of cashing out, they allow you in return to benefit from tax credits that reduce your income taxes payable. As with other unregistered investments, the income these investments generate (capital gains, in the case of tax-advantaged funds) are taxable in the year of withdrawal.[1]

Here is a table summarizing the main characteristics of three tax-advantaged funds in Quebec:

Table 5 MAIN CHARACTERISTICS OF THREE TAX-ADVANTAGED FUNDS IN QUEBEC

	Fondaction	Solidarity Fund QFL	Capital régional et coopératif Desjardins[2]
Federal credit rate	15%	15%	N/A
Provincial credit rate	20%	15%	35%
Total credits	35%	30%	35%
Maximum annual amount eligible for tax credits	Maximum of $5,000 in total for both funds		Maximum of $3,000
Can be deposited in an RRSP	Yes	Yes	No
Withdrawal conditions[3]	At retirementand, with a minimum holdins period of two years, with exceptions		Minimum holding period of 7 years, with exceptions

Plan online!

SimulR and CompuPension are two tools that enable you to simulate your retirement income. Visit their site to use them and kill two birds with one stone by consulting My Account. There you will find information on your participation in the Québec Pension Plan as well as the amounts you could receive when you retire. retraitequebec.gouv.qc.ca

1. The tax credits of these funds do not reduce the adjusted cost base of these shares, which will be a significant benefit on the resale of these shares by decreasing the capital gain. / 2. This is the current category of shares. Beginning in 2018, a shareholder with shares of the current category for at least 7 years and who has never requested the redemption of his or her shares or proceeded to the purchase by agreement of his or her shares, may acquire shares of a new category. This new class of shares will entitle the shareholder to an additional 10% credit. In exchange for this credit, the shareholder agrees to keep his or her shares for another period of 7 years. The maximum amount eligible for the credit will be $15,000, which could generate an additional credit of up to $1,500. / 3. Consult the simplified prospectus for these funds for more information.