

# RRSPs Can Help Capitalize Your Co-op!

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# Session Outline

- Introductions
- Disclaimer
- Eligible Co-operatives
- Qualified and Prohibited Investments
- Self-Direct RRSP
- The CWCF RRSP Plan
- Making Investments
- Closing

# Disclaimer

- This session provides a general overview of RRSP eligibility for co-operatives
- It doesn't constitute professional advice
- Any co-operative or individual using the program is responsible to seek appropriate legal, accounting or taxation advice from appropriate professionals

# Eligible Co-operatives

- Specified Co-op Corporations under the Income Tax Act and Regulation
  - Incorporated under a co-op act
  - 90% of members are individuals, co-operatives or corporations or partnerships engaged in farming
  - 90% of the shares are held by members
  - The co-op holds out the prospect of allocating patronage returns

# Eligible Co-operatives

- Some co-operatives which don't meet the qualifications of being a 'Specified Co-op' may have eligible securities – shares or bonds
- The co-operatives must meeting alternative provision within the Income Tax Act & Regulations
- Professional advice and formal opinions regarding their eligibility is required before the securities can be accepted by the CWCF's RRSP Plan

# Most Co-operative Shares are RRSP Qualified Investments

- Most types of shares in co-operatives are qualified investments in an RRSP.
- Qualified investments include membership, preferred or investment shares including any type of these shares purchased using patronage allocations.

# Consumer Co-op Shares

- One exception to this eligibility is the membership shares of consumer co-operatives, i.e. shares required for membership in a co-operative that one can reasonably expect to pay a patronage allocation in respect to consumer goods or services.
- Other types of shares noted above are qualified investments for consumer co-operatives.

# Member Loans & Bonds of A Specified Co-op Corporation

- Member Loans and Bonds are eligible but only where there are more than 100 members in your co-op.



# What does this allow?

- Members can place their existing co-operative shares into a Self-Directed RRSP
- Can purchase and place new shares into a Self – Directed RRSP
- Transfer funds from an existing RRSP into a Self-Directed RRSP which then use the funds to purchases shares in the member's co-operative.

# Ownership Limit

- Qualified shares may be a 'Prohibited Investment' for a member if the member or the member combined with any related party owns more than 10% of any class of shares within the co-operative
- In the same co-operative any member with less than 10% of any class would still be allowed to hold their shares in an RRSP

# What is a Self-Directed RRSP?

- A self-directed RRSP is one in which the individual (called the "plan-holder") determines which and what types of investments are to be held.
- The individual sets up a self-directed contract with a trustee or under a government approved Registered Plan.
- The CWCF has such a Plan, which has been registered through Concentra Trust.

# Are There Fees for the Self-Directed RRSP?

- Yes. The individual plan-holder pays an annual fee of \$50 per year including G/HST.
- Additional fees are charge for transfer-outs (\$50) and the closing of the account (\$75)

# The CWCF Plan

- Open to co-operatives which are either Regular or Associate Members of CWCF.
- Annual dues for Regular (worker or multi-stakeholder) members is 0.15% of the wages of the co-op
- Annual dues for Associate members using the RRSP program is \$100

# Joining the Plan

- Join the CWCF
- Sign an Agency Agreement with the CWCF which outlines the roles and responsibilities of the parties
- Receive Support Manual and related application, deposit, transfer forms, etc.

# Co-op's Responsibilities

- Enrolls its interested members in the program and submits the forms to the CWCF
- Has an independent accountant complete the Specified Co-operative Corporations Share Declaration (confirms the share are qualified)
- Has the Annuitant complete the Specified Co-operative Corporations Share Annuitant Declaration (confirms the annuitant has less than 10% of any class of shares)

# Co-op's Responsibilities

- Ensures that the shares are recorded in Trust for the RRSP Annuitant.
- Forwards any earnings on the securities to the CWCF in trust for the Annuitant
- Collects the annual fees on CWCF's behalf
- Ensures shares are only redeemed through the RRSP Trustee (CWCF)



# Administration

- CWCF sets up the account
- Records contributions and issues contribution receipts for income tax purposes
- Initiates and completes transfers from existing RRSP and purchases the co-op's shares
- Receives and records any income on the securities
- Issues an annual statement to each annuitant
- Invoices the Co-op for its annuitants' annual fee once a year

# How Can I Place Co-op Shares I Currently Own in My RRSP?

- You can place existing shares in the co-op by making a contribution "in-kind".
- This is also the simplest way to make a contribution if you are buying new shares.
- One just buys the shares from your co-operative in the usual way and then uses them to make the contribution on the appropriate forms.

# How Can I Use Money in an Existing RRSP to Buy Shares?

- You can take money from an existing RRSP and transfer it into your Self-Directed RRSP, and purchase new shares in you co-op as part of your new Self-Directed RRSP.
- This is called a Transfer-In and must be done through the RRSP Program.

# Are There Any Down-sides to Placing My Co-op Shares in a SD-RRSP?

- There is a certain level of risk associated with placing all or much of your RRSP investments inside your co-op.
- If your co-op fails, you will have lost the RRSP funds held by your co-op.
- This risk will have to be weighed by each individual as you decide whether to place co-op shares, or more secure investment instruments, in your RRSP.
- On the other hand, if you would not be contributing to an RRSP outside your co-op anyway, by investing in your co-op shares inside an RRSP you are not incurring any additional risk.

# Closing Questions

- Thanks for participating