

TAX MATTERS

INVESTING IN REGISTERED PLANS

“In this world, nothing is certain except death and taxes.”
- Benjamin Franklin

Portland Investment Counsel Inc. (“Portland”) endeavours to lessen the burden of tax stress.

Registered plans such as the Registered Retirement Savings Plan (“RRSP”), Registered Education Savings Plan (“RESP”), and Tax-Free Savings Account (“TFSA”) help Canadians preserve wealth, while mitigating tax strain.

We emphasize the importance of registered plans because over time, it MATTERS.



Registered Retirement Savings Plan

- Helps Canadians save for retirement
- Reduces taxable income
- Money can be withdrawn to purchase a home for first time home buyers or pay for school without penalty however it must be repaid within a specified time period



Tax-Free Savings Account

- Helps Canadians save in a tax free manner



Registered Education Savings Plans

- A means to save for a child’s post-secondary education
- The Government offers an annual grant based on certain criteria, which helps the RESP grow in value*
- The grant and earning portion of withdrawals are included in a child’s income, generally resulting in a lower tax

Investments can benefit from **compounding** (including within an RRSP, RESP, and TFSA)

When investing, one easily controlled element is the ‘t’ in the compounding formula. The younger you start, the greater your ability to compound, leading to the potential for greater wealth accumulated.

Compounding Formula

$$A = P \left(1 + \frac{r}{n} \right)^{nt}$$

Labels for the formula:

- A**: AMOUNT
- P**: PRINCIPAL
- r**: INTEREST RATE
- n**: NUMBER OF TIMES INTEREST IS COMPOUNDED PER YEAR
- nt**: TIME/YEARS

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Portland Investment Counsel®
Buy. Hold. And Prosper.®

Registered plans offer important benefits:

Reduction to taxable income

- It is more effective to maximize contributions in your RRSPs when your income is at your highest marginal tax bracket and make withdrawals at a lower tax bracket, such as retirement.

Unused Contribution Room

- RRSPs offer tax deductibility on earnings, so carrying forward some contribution room** until you are in a higher tax bracket can be a good tax strategy.
- TFSA's are after-tax investments, so there will be no tax deduction but gains are tax free upon withdrawal. Unused contribution amounts can be carried forward indefinitely and used in subsequent years.**

- In order to be eligible for Canada Education Savings Grant ("CESG")/Canada Learning Bond, RESPs must be opened before the end of the year a child turns 15 and must have met certain minimum contribution levels.** If you have delayed starting an RESP, the carry-forward option effectively allows you to double up on contributions in a year to help you catch up on missed grant money.***

Registered Plans & Dollar Cost Averaging ("DCA") Strategy

- The DCA strategy shares Portland's 'Buy. Hold. And Prosper.' approach of buying investments and building wealth through compounding. Acquiring investments through the DCA strategy allows for the potential to compound wealth and mitigate risk from volatile economic conditions.
- The DCA strategy aligns with the goal of registered plans. By regular contributions, the strategy could increase your wealth in a tax efficient manner.

Portland Registered Plan Eligible Funds

Private Debt Funds	Alternative Mutual Funds
Portland Private Income Fund	Portland 15 of 15 Alternative Fund
Portland Private Income - Preferred	Portland Life Sciences Alternative Fund
	Portland Replacement of Fossil Fuels Alternative Fund

Alternative Assets & Hedge Funds	Conventional Mutual Funds
Portland Focused Plus Fund	Portland Canadian Balanced Fund

Sustainable Investing Funds
Portland Global Sustainable Evergreen Fund

*The maximum grant in a lifetime is \$7,200 per child. Please go to the following link for a chart on the CESG contribution calculations: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-education-savings-plans-resps/canada-education-savings-programs-cesp/canada-education-savings-grant-cesg.html>

**There are contribution limits. Ensure you check your contribution limits before investing to avoid tax penalties for over-contributing.

***Here is an example: If you normally contribute \$2,500, but missed last year's contribution altogether. This means the RESP did not receive the annual \$500 grant. If your child is not 17, you can double your contribution to \$5,000 this year and the grant would be \$1,000 to make up for last year's missed grant. Please go to the following link to see more examples on how the carry-forward option works: <https://www.canada.ca/en/employment-social-development/services/student-financial-aid/education-savings/resp/info.html#h9>

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