

RRSP Program

IMPORTANT NOTE: As a result of changes made to the rules governing RRSPs in 2011, it is possible to use this program only where each individual plan-holder holds less than 10% of the value of each class of shares in a co-operative. Investments in co-operatives and business corporations for an amount of 10% or more of shares were previously allowed, but have been declared “prohibited investments” in order to make it more challenging for individuals to engage in tax avoidance. All of the information below should be read in light of the fact that this applies only where investors will each own less than 10% of each class of shares. See: <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/rrsp-reer/glsry-eng.html#prohibited>

CWCF DISCLAIMER: As administrator of the RRSP Plan, CWCF does not take any responsibility for the investments made by the plan-holder. CWCF does not provide investment advice regarding any of the assets held by the Plan, and acts solely on the plan-holder’s written instructions.

FREQUENTLY ASKED QUESTIONS

The use of the RRSP Program can assist the capitalization of your co-op. For more information, review the questions and answers below.

ARE CO-OPERATIVE SHARES ELIGIBLE RRSP INVESTMENTS?

Many types of shares in co-operatives are eligible investments in an RRSP. These qualified investments include common, membership, preferred or investment shares. Qualified investments also include any type of these shares purchased using patronage allocations. 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. These types of shares are not eligible.

In order to use CWCF’s RRSP and/or TFSA Program, in general a co-op must be a Specified Co-operative Corporation under the Canada Income Tax Act and Regulations, meeting the following requirements:

- 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
- None of its members (except other cooperatives) have more than one vote

For more detail, see the definition of Specified Co-operative Corporation in Income Tax Regulation section 4901(2), and Income Tax Act section 136(2). To determine whether or not your shares are RRSP/TFSA-eligible under the Specified Co-operative provisions, your co-operative must have an independent accountant (CA, CMA, CGA) confirm their eligibility, and that each annuitant, together with related parties, owns less than 10% of the issued shares of

any class of the co-operative, on the Worker Co-operative and Specified Co-operative Corporation Shares Declaration.

If a co-operative does not meet the definition of Specified Co-operative Corporation above, it may be possible to qualify under other sections of the Income Tax Act as a Non-Specified Co-operative. In that case, an opinion by an independent lawyer or accountant acceptable to Concentra Trust is required. To date, the only co-operatives which have been eligible to use the CWCF program as Non-Specified Co-operatives are some of the renewable energy co-operatives in Ontario.

HOW CAN THIS HELP MY CO-OP?

Because the RRSP defers the payment of income tax, it directly benefits the members by reducing their current year's income tax, which allows before-tax dollars to be invested by the member into the co-op. It also means that the large pool of capital which members and non-members have already placed in RRSPs becomes a potential source of capital for the co-op.

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 under a government approved Registered Plan. The CWCF has such a Plan, which has been registered through Concentra Trust.

CAN CO-OP SHARES I'VE INVESTED PREVIOUSLY BE PLACED IN MY RRSP?

Yes. The provision making co-op shares RRSP-eligible applies to both contributions of new co-op shares, and to the rolling over of currently owned shares. If you're rolling current shares into your self-directed RRSP, this is called a contribution "in-kind". This is the simplest way to make a contribution. 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 provided by the CWCF.

CAN I USE MONEY IN AN EXISTING RRSP TO BUY SHARES IN MY CO-OP?

Yes, you can take money from an existing RRSP and transfer it into your self-directed RRSP, and purchase new shares in your co-op as part of your new Self-Directed RRSP. This is called a Transfer In and the CWCF provides specific forms to complete this type of transaction.

HOW DO I DETERMINE THE "MARKET VALUE" OF MY SHARES?

This is a very important question. Even though most co-ops have par value shares, the "market value" is the relevant measure used by the Canada Revenue Agency (CRA) to determine the value of the shares you are placing inside your RRSP. It is essential that you realistically estimate the market value of your shares at the time of making the RRSP contribution. For most purposes the par value is the appropriate value. However, the safest way to determine market value is to have a business appraisal done. As this is impractical for most co-ops, we make the following suggestions to assist you in valuing your shares.

Generally, the market value of a share would be the amount the member would receive for that share if the co-op were dissolved, and the proceeds distributed, on the day of valuation. The simplest way to value your shares may be, in fact, to take the par value. However, if your co-op has been operating with substantial losses, you will either have to allocate the losses to the shares to reduce their true value, or else have a very good justification for claiming their market value is still their par value. If you are purchasing new shares, the market value will be the price you pay.

WHO IS RESPONSIBLE FOR DETERMINING THE MARKET VALUE OF SHARES?

It is the individual plan-holder's responsibility to ensure the shares are contributed at their "market value". It is each individual's responsibility to ensure that the market value reported is accurate. If an individual is audited by the CRA, she or he is legally responsible to defend the accuracy of the share valuation. To meet this requirement, the investee co-operative is required to complete a form called "Issuer Representation Letter" which provides the current market value of the shares. The CWCF provides this form.

WHAT ARE THE RESPECTIVE RESPONSIBILITIES OF THE CWCF, EACH CO-OP AND THE PLAN-HOLDER UNDER THE CWCF GROUP PLAN?

For a full explanation, each plan-holder is responsible to read the complete Agency Agreement. Please note that samples of all required documents are attached to the Agreement, so that your co-op will not need to draft any documents, but simply use those provided as required in each particular case. What follows is a brief summary of each party's responsibility. For complete instructions see the CWCF's "Self-Directed RRSP Support Manual for Co-operatives" attached below.

1. The CWCF will market the group plan to its members, provide information about the group plan, provide all required documentation and receive and verify completeness of documentation.
2. CWCF will carry out all required administration of the Plan including issuing receipts to the plan-holder for tax deduction purposes, keeping the accounting records for the plan, providing annual statements to the plan-holder and reporting to the CRA.
3. The Co-op will sign the Agency Agreement in triplicate, remit administration fees annually to the CWCF and receive from its members the required documentation, verify its completeness and forward it to the CWCF. An officer of the Co-op must also confirm the market value of the shares being contributed to the SD RRSP.
4. The individual plan-holder will complete and sign the following: (1) the self-directed RRSP application form, (2) the member authorization form, (3) the Small Business Shares Annuitants Declaration (4) Fees Schedule, and (4) a Deposit Form.

IS THERE AN ANNUAL FEE FOR THE SELF-DIRECTED RRSP?

The individual plan-holder pays an annual fee of \$50 (including HST) subject to any fee changes the CWCF deems necessary. This fee is collected by the Co-op and remitted by the Co-op as noted in above.

DOES MY CO-OP HAVE TO BE A MEMBER OF THE CWCF FOR ME TO TAKE ADVANTAGE OF THIS RRSP PLAN?

Yes, your co-op must be a CWCF member. If your co-op is a worker co-op, it becomes a Regular Member; if another type of co-op, then it becomes an Associate Member. If your co-op has not become a member, it may join by completing the appropriate attached application form (p. 5 or p. 6 of this document, below). Annual dues for Associate Member Co-ops that use the RRSP program are \$100. Annual dues for Regular Worker Co-op Members are \$50 for the first year, then on a sliding scale. For more information contact Hazel Corcoran, Executive Director (re: membership) at 403-276-8250 – hazel@canadianworker.coop or Kirstin Van Hattem, RRSP Program Manager (re: the RRSP Program), 902- 678-1683 – rrsp@canadianworker.coop

WHAT IS THE DEADLINE FOR THE CO-OP TO RETURN DOCUMENTATION AND CHEQUES OR SHARES TO THE CWCF?

Each time a member applies for, or makes an additional contribution to, a self-directed RRSP under the group plan, the co-op must receive and remit required documentation within 5 business days to the CWCF. However, in the second half of February, the end of “RRSP season”, the co-op must ensure that any new self-directed RRSP application form is faxed by the last day of February to CWCF, at fax number 902- 678-0780. The co-op must then mail the completed package (regular mail is accepted, as long as it’s mailed out by that year’s RRSP deadline) to the CWCF RRSP Program Manager in Nova Scotia.

WHAT KINDS OF INVESTMENTS CAN I PLACE IN A SELF-DIRECTED RRSP UNDER THE CWCF GROUP PLAN?

Only the following are eligible instruments: eligible securities in participating co-ops.

ARE MEMBER LOANS IN MY CO-OP, IN ADDITION TO SHARES, ALSO ELIGIBLE?

Yes, but only where there are more than 100 members in your co-op and certain other conditions are met. If you want to take advantage of the self-directed RRSP provisions, in most cases you will have to convert your loans into shares.

HOW MUCH CAN I CONTRIBUTE TO A SELF-DIRECTED RRSP?

The same limits that apply to RRSP contributions generally apply to self-directed RRSPs. Your deduction limit appears on the Notice of Assessment sent to you by CRA.

ARE THERE ANY DOWN-SIDES TO PLACING MY CO-OP SHARES IN A SELF-DIRECTED 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. The level of risk you are comfortable with in your RRSP is something only you can decide.



[RRSP and TFSA program manuals and documents can be found here.](#)

LIST OF RRSP/TFSA MEMBERS

Below is a partial listing of Specified Corporate Co-operatives, Non-Specified Co-operatives, Community Economic Development Investment Funds (CEDIFs), and Community Economic Development Businesses (CEDBs) who are members of CWCF's RRSP/TFSA Program. Individuals with investments in these companies may choose to hold those securities in an RRSP or TFSA account administered by CWCF. Similarly, individuals who currently have securities held in trust by CWCF may opt to re-invest funds earned on their current investments with another of our program members.

Note: As a Self-Directed RRSP/TFSA Program, CWCF is not permitted to provide information regarding current or upcoming offerings. However, please feel free to contact any of our listed members to inquire about potential investment opportunities.