

Dear ScotiaMcLeod RSP Client

We understand you are considering making a withdrawal from your Retirement Savings Plan. We have been pleased to provide advice and investments to help your retirement savings grow. This may be a good time to remind you that a withdrawal from an RSP is contrary to the objectives for which this account was set up.

As you are likely aware, Revenue Canada requires us to withhold tax from RSP withdrawals. In Ontario, the amounts are 10% on withdrawals of \$5,000 or less, 20% from \$5,000 to \$15,000 and 30% on amounts above \$15,000. (Note: These withholding amounts are for the first withdrawal in any month. Withholding tax on subsequent withdrawals is substantially higher – e.g. 20% minimum on 2<sup>nd</sup> withdrawal in the month.) Lump sum withdrawals from an RSP by a non-resident are subject to withholding tax based on the applicable tax treaty. For most countries (including the United States), the rate that is applicable is 25%.

However, this is only part of the upcoming tax due on the withdrawal. The remaining tax will be due in April the year after your withdrawal. The total withdrawal amount is added to your income.

For example:	Annual Income	\$40,000
	RSP Withdrawal	<u>\$5,000</u>
	Total Taxable Income	\$45,000

While only 10% will be withheld initially, a person making \$40,000 per year is in a 31% marginal tax rate\*, approximately. This means that an additional 21% (\$1050) will be payable when their tax return is filed the following April. Our experience is that many people are unprepared for this second tax bill and then have to take more out of their RSP, resulting in a vicious spiral. It is clearly better to examine all your options regarding short-term loans or debt consolidation before resorting to an RSP withdrawal. Most often it is best to keep the money in the RSP and get short term financing to deal with a cash crunch. We would be pleased to set up a meeting with a representative from Scotiabank to discuss your options.

Please note that if mutual funds are being sold which were purchased with a Deferred Sales Charge (DSC), there may be additional charges (a rear-end load) levied by the fund company. If held for several more years, the rear-end load disappears entirely, again a reason for delaying, if possible, withdrawals from the account.

Finally, if you are part of a company plan, there may be restrictions on withdrawals, or you may forgo future employer contributions after making a withdrawal. Consult your plan text for details on your organization's RSP plan.

If, after considering the above, you still require the withdrawal, please print out and sign the attached form and fax it to us. Once your investments are sold (4-5 business days), we will issue a cheque and either hold it for pick up or mail it out. Alternatively, we can wire the funds to your bank account (please provide a void cheque).

For any more information, please contact us at 416-863-7777 or 1-800-387-9273 or at [carl\\_spiess@scotiacleod.com](mailto:carl_spiess@scotiacleod.com). Thank you for allowing us to help grow your funds for retirement.

The Spiess McGlade Team at ScotiaMcLeod

[www.managedmoneyreporter.ca](http://www.managedmoneyreporter.ca)

[www.scotiagroupplans.com](http://www.scotiagroupplans.com)

\* Tax rates are approximate, subject to change and individuals should seek the advice of a tax specialist for the specific tax impact a withdrawal will have

# Withdrawal Form For RSP Accounts



Name: \_\_\_\_\_ (Group Plan Name) \_\_\_\_\_ (if applicable)

Address: \_\_\_\_\_

Account Number: \_\_\_\_\_ SIN# \_\_\_\_\_ (for T4 RSP)

Email \_\_\_\_\_ Phone \_\_\_\_\_

Gross withdrawal amount desired (before tax) \_\_\_\_\_ or Net withdrawal desired (after tax) \_\_\_\_\_

**OR**

Check here for full withdrawal (close account)  or full withdrawal (leave account open)

(Note Ontario withholding tax rates: \$0-\$5,000 = 10%, \$5,000 - \$15,000 = 20%, over \$15,000 = 30%)

Redeem the following securities (in the specified order) from my account 1 \_\_\_\_\_  
(Mutual fund deferred sales charges or stock trade commissions may apply)

2 \_\_\_\_\_

3 \_\_\_\_\_

## Disposition of Funds

\_\_\_\_\_ Mail to address on account

\_\_\_\_\_ Pick up at ScotiaMcLeod, 40 King St. West, 15th Floor

\_\_\_\_\_ Pick up at ScotiaMcLeod office at \_\_\_\_\_

\_\_\_\_\_ Direct deposit to my bank account – **I have attached a void cheque.**  
(\$25 fee for deposit to non-Canadian bank)

## Fees & Costs

Each partial withdrawal / de-registration: \$25 + HST per request

Full withdrawal / de-registration: \$100 + HST

Direct deposit to non-Canadian bank: \$25 (no tax) per request

Mutual fund deferred sales charges or stock trade commissions if applicable

Withholding taxes as required by provincial law

Non Residential withholding tax will apply to non residents – please contact our customer service centre at (416) 863-7777 or toll free at 1 (800) 387-9273.

## Agreement

I wish to make the above noted withdrawal from my registered account and I understand that the withholding tax and de-registration fees will be applied accordingly. I acknowledge that the above information is true and authorize ScotiaMcLeod to complete the request on my behalf.

\_\_\_\_\_  
Signature of Annuitant

\_\_\_\_\_  
Date

Allow 4 business days for fund settlement (or 5 days if received after 2pm) plus 1 day for processing.

Fax completed form to 416-863-7479 or

Mail to Brenda Cordeiro, ScotiaMcLeod, 40 King St. West, 15th Floor, Box 402 Toronto, ON M5H 3Y2 or

Scan and e-mail to Brenda Cordeiro at [brenda\\_cordeiro@scotiamcleod.com](mailto:brenda_cordeiro@scotiamcleod.com)