

RRSPs Can Help Capitalize Your Co-op!

Peter Hough
Canadian Worker Co-op Federation
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Most Co-op Shares are RRSP Eligible Investments

- ◆ Most types of shares in co-operatives are eligible investments in an RRSP – including common, membership, preferred or investment shares, and any type of these shares purchased using patronage allocations.
- ◆ One exception is the membership shares of consumer co-operatives – i.e. shares that one can reasonably expect to pay a patronage allocation in respect to consumer goods or services.

Are Member Loans Also Eligible Investments?

- ◆ Yes, but only where there are more than 100 members in your co-op and certain other conditions are met.

What is a Self-Directed RRSP?

- ◆ A self-directed RRSP is one in which the individual (called the "plan-holder) determines which 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.

How does it Work?

- ◆ Members can place their existing co-op shares into a Self-Directed RRSP, can purchase and place new shares into a Self-Directed RRSP or transfer funds from an existing RRSP into a Self-Directed RRSP, which then uses the funds to purchase shares in the member's co-operative.
- ◆ It also allows non-members who have preferred shares or investment shares in the co-operative to place them in a Self-Directed RRSP using the same approaches noted above.

Is There a Limit to the Value of Co-op Shares I Can Hold in my SD-RRSP?

- ◆ If your co-op has 10 members or less you can only hold a maximum of \$25,000 in shares in your co-op in your SD-RRSP.

Is There an Annual Fee for the Self-Directed RRSP?

- ◆ Yes. The individual plan-holder pays an annual fee. Depending upon the trustee this can cost up to \$125 per year. The CWCF plan charges \$50 per year.

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

- ◆ The provision making co-op shares RRSP-eligible applies to both contributions of new co-op shares, and to rolling over 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. You just buy the shares from your co-operative in the usual way and then use 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 your co-op as part of your new Self-Directed RRSP. This is called a Transfer-In. This must be done with the assistance of your new Self-Direct Plan trustee.

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

- ◆ There is a level of risk associated with placing all or much of your RRSP investments in 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 otherwise, by investing in your co-op shares inside an RRSP you are not incurring any additional risk.

For More Information

Contact:

Peter Hough, Canadian Worker Co-op Federation

Tel. 902-678-0473

E-mail: peter.cwcf@xcountry.tv