



MARCH 2009. The Tax-Free Savings Account has arrived. If not for the puny \$5 000 annual limit, it would give a Swiss bank account a run for the money.

Everyone over the age of 17 may now choose between an RRSP and this new TFSA, or both. How does one decide?

It has been shown that the two programs produce the exact same nest egg if the tax rates at the time of contribution and at the time of withdrawal are the same. Of course, differences between the two programs exist. Among them is creditor-proofing. As of July 2008, RRSPs (along with RRIFs and DPSPs) are protected from creditors in a bankruptcy. This greatly levels the playing field between an employee, whose RPP has always been protected from creditors, and a self-employed who must rely on an otherwise-exposed RRSP. A TFSA does not afford its holder any such protection.

Below is a summary of the differences of the two programs.

	<u>RRSP</u>	<u>TFSA</u>
Contributions deductible	✓	✗
Contribution room income-based	✓	✗
Contribution room replenished by withdrawals	✗	✓
Income attribution	✓	✗
Pledge as collateral	✗	✓
Withdrawals taxable	✓	✗
Age limit to start program	✗	✓
Age limit to terminate program	✓	✗
Exempt from seizure in bankruptcy	✓	✗

In view of RRSP's creditor-proofing capability, the general advice commonly becomes, in order:

- 1 . Do both if pocket deep
- 2 . Do RRSP to the limit
- 3 . Do TFSA with tax refund from 2. above

Note that RRSP contributions made in the 12 months prior to bankruptcy are not exempt from seizure. Seek independent professional advice for particular facts and situations.

Launch of New Program

CanMAPP is expanding its advocacy role and is launching **Peer-Review Pre-Review**, a program designed to prepare members for the practice review required of public practitioners by the regulatory bodies. In this program, an experienced CanMAPP reviewer will visit the member's office in advance of the regulatory review; inspect the practice operations, working papers, and other areas of interest to the regulatory reviewer; identify deficiencies and weaknesses; and offer remedial suggestions.

The Peer-Review Pre-Review program is available to CanMAPP members who have been members for the 6 months prior to using the services of the program. The cost is:

- \$350 per pre-review, and
- Travel costs + out-of-pocket expenses

Advance registration is required. With "PRPR" as the subject line, send your name and practice location to:

info@CanMAPP.ca

CanMAPP is a self-help group of accounting practitioners from coast to coast. Everyone is invited to participate in its events and organization.