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## CCPC SHARES HELD IN AN RRSP

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There are many factors to consider when examining the merits of holding shares of a Canadian Controlled Private Corporation in an RRSP:

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### TECHNICAL DETAILS

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- Must own less than 10% of the company
- Auditors must sign qualification letter (This has been done for all of investments of Prism Investments)

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### RRSP ADVANTAGES

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- Can be used as a contribution in kind - contribute existing shares to RRSP and get tax receipt - a tax refund with no out of pocket cost
- Can be used for an asset swap, removing cash or securities from the RRSP in exchange for the current CCPC share value
- Can use existing RRSP assets to buy CCPC shares and increase ownership
- Dividends increase RRSP value without affecting contribution room - cash dividends can be used to buy other investments
- Growth is tax deferred - even after shares are sold

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### RRSP DISADVANTAGES

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- Lack of diversification - company career progress and investment eggs all in one basket
- Requires self-directed RRSP - additional fees (\$25 charge per transaction)
- Often spouse restricted from being beneficiary (can't have non-employee own shares)
- Tax on growth paid fully as income when RRSP collapsed
- If shares no longer qualify as a CCPC, may have to come up with a large amount of cash quickly

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### ADVANTAGES OF HOLDING SHARES OUTSIDE RRSP

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- Simplification
- Interest from borrowing to invest in shares is tax deductible
- Growth counts as capital gains, only taxed at 50% and paid when shares are sold but,
- Should qualify for \$400,000 farm/CCPC capital gains exemption

*It is strongly recommended that you carefully consider these factors and consult a tax advisor or accountant before investing in CCPC shares in your RRSP.*