

RRSP Loan



# PRODUCT GUIDE



For advisor use only



## Application of rules to the total loan amount

When the loan amount increases, the annual interest rate applicable to the RRSP loan on the effective date applies to the total amount of the new RRSP loan, including any balance owing on an existing RRSP loan. The new total RRSP loan is equal to the amount of the new RRSP loan and the balance of the existing RRSP loan taken together to form a single new contract.

Please note that RRSP loan statements are sent on December 31 of each year.

## Purpose of the product

The purpose of the RRSP loan is to allow you to offer your clients an interesting alternative to encourage them to increase their RRSP contribution.

## Target market

- Clients who do not have the funds they need to make their annual RRSP contribution
- Clients who want to contribute using their unused RRSP contributions

## The product in brief

### RRSP loan

Loan granted to make a contribution to an Industrial Alliance Trust Inc. RRSP account (client's and/or spouse's contract)

### Interest rate

- The RRSP loan is a credit agreement with a floating interest rate
- Interest rate varies according to the amount of the loan and the repayment period chosen by the client
- Interest calculated daily and charged to the client's account at the end of each month

### Minimum loan

\$1,000

### Maximum loan

\$50,000

### Repayment period (client's choice)

- Loans under \$5,000: 2 years or less
- \$5,000 to \$12,499: 5 years or less
- \$12,500+: 10 years or less

### Required minimum monthly repayment

- Determined based on the repayment period chosen by the client
- Repayment made by preauthorized debit (PAD)
- Partial or full repayment can be made at any time

### Investment options

- In a nominee account at Investia Financial Services Inc.
- In a client name account at IA Clarington Inc.

### Analysis of credit

Yes

### Proof of unused RRSP contributions

Yes, if applicable

## The main advantages

- ✔ Possibility of deferring the first payment by 120 days
- ✔ Quick and easy way to contribute to an RRSP even though you don't have the required funds
- ✔ Monthly repayments adapted to the client's budget
- ✔ Loan can be repaid at any time
- ✔ Possibility of increasing the loan to make additional RRSP contributions (the minimum repayment will be adjusted accordingly)

Offer your clients an easy and low-cost way to contribute to an RRSP and let them take advantage of a tax deduction, growth of capital in a tax shelter, but most of all, a higher retirement income!

## How it works

### Using the loan

The RRSP loan can only be used to make a deposit in an individual RRSP (the principal borrower's or the spouse's RRSP).

If the principal borrower wishes to contribute to his/her spouse's RRSP account, the spouse's signature as co-borrower will be required on the authorized RRSP loan.

#### What limits are granted for the RRSP loan?

- Minimum loan: \$1,000
- Maximum loan: \$50,000

#### 120-day option

Your clients can defer their first loan payment for 120 days. Interest will accrue during this period on the amount borrowed. Furthermore, the first payment must be made exactly 120 days after the effective date of the contract.

### Interest rate

The RRSP loan is a credit agreement with a floating interest rate that varies depending on the prime rate. Thus, the interest rate changes whenever the prime rate fluctuates, but the payments remain fixed. Upward and downward rate changes may affect the amortization period of the loan.

Interest is calculated daily and charged to the client's account at the end of each month.

Repayment period	Interest rate <sup>1</sup>	
	Less than \$5,000	\$5,000 and over
1 year	Prime <sup>2</sup> + 2.25%	Prime + 0.75%
2 years	Prime + 2.25%	Prime + 1.25%
3 to 5 years	Not available	Prime + 2.25%
6 to 10 years <sup>3</sup>	Not available	Prime + 3.00%

<sup>1</sup> Interest rates for RRSP loans available on the Industrial Alliance Trust Inc. website at [iatrust.ca](http://iatrust.ca)

<sup>2</sup> Prime rate = Royal Bank of Canada's preferred rate

<sup>3</sup> Available for loans of \$12,500 or more

To determine your clients' monthly payment amounts when the contract is signed, refer to Appendix 1.

# Repayment

## Effective date of the loan

Once Industrial Alliance Trust Inc. has received and reviewed the documents, it will process the analysis of the RRSP loan application and deposit the RRSP contributions in the client's account according to his investment instructions if the loan request is accepted. The effective date of the RRSP loan will then be established.

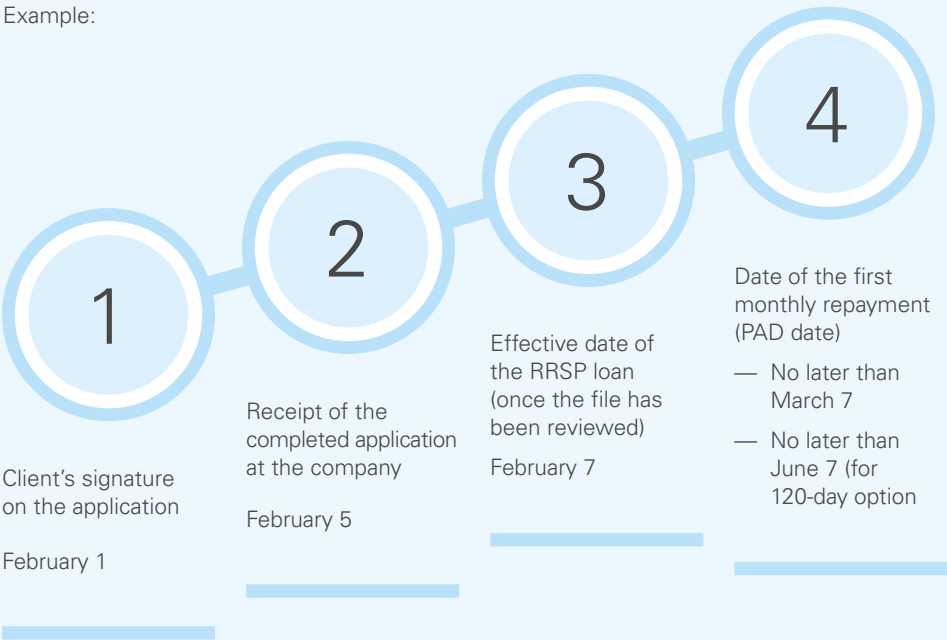
## Monthly repayments

The monthly repayments will be drawn directly from the client's bank account through preauthorized debit (PAD) according to the date chosen by the client (except for the 29th, 30th and 31st of each month). The client can request to change the date of the monthly payments at any time, subject to a \$35 fee. Any PAD payment that is returned for non-sufficient funds will be subject to the fees in effect at Industrial Alliance Trust Inc.

The payment will be resubmitted 10 days later and transaction fees will be included in the total amount. If the second payment is returned for non-sufficient funds, the RRSP loan will be considered to be delinquent and the balance will become fully payable.

The date of the first monthly repayment will correspond to the PAD date chosen by the client, to a maximum of 30 days following the effective date of the loan, unless the client has chosen the 120-day option, in which case the first repayment can be deferred for exactly 120 days from the effective date of the loan.

The example below shows the normal process of an application, from the time it is signed until your client starts making the monthly repayments.



**The balance of the RRSP loan can be repaid in whole or in part at any time, with no interest penalty.**





## Required minimum monthly repayment

The minimum monthly repayment required is established based on the interest rate and repayment term chosen by the client. The repayment factor schedules are found in Appendix I . These factors differ for the 30-day option and the 120-day option.

### If there is an increase in the RRSP loan

When the client wants to make an additional contribution to his/her RRSP, he/she can request an increase to the RRSP loan at any time, based on his/her ability to repay.

The increase to the loan revokes the contract in force and the balance owing under the terms of the previous contract will be repaid in accordance with the terms of the new contract. The existing balance and the additional amount requested will form a new total amount. This total will determine the new minimum repayment based on the rate in effect.

### For a lump-sum repayment of the RRSP loan

Clients who want to make a lump-sum repayment on their RRSP loan can do so at any time. For example, clients can use their tax refund to repay the loan faster.

Following a lump-sum repayment, the monthly repayment amount remains the same and the contract provisions concerning the repayment period cannot be modified. The loan can therefore be paid off faster.

### Change to the monthly repayment

The amount of the monthly repayment can be changed (increased or decreased) at any time at the client's request, subject to a five-day waiting period and the minimum payment. The repayment period cannot be changed.

# RRSP loan application

The RRSP loan application must be done by filling the TF11-1A form available on the Industrial Alliance Trust Inc. website (iatrtrust.ca). You must send the original copy of this form (TF11-1A) to Industrial Alliance Trust Inc. and provide a copy to your client.

Any loan applications that require modifications will be returned to the representative so the required corrections can be made. Please note that under the *Consumer Protection Act*, you may have to obtain the client's signature a second time for certain corrections.

## Situations where the spouse's signature is required

The spouse's signature is required in the following two cases:

- If the contribution is made to the principal borrower's spouse's RRSP
- If the PAD is drawn from an account requiring two signatures

## Required documents

Each **RRSP loan application** must be accompanied by:

- Proof of income, assets and liabilities depending on the requested amount (see on the TF11-1A)
- Proof of unused RRSP contributions
- A void cheque for the PAD

\* Note that more documents could be required for credit analysis purposes.

### Note:

If monthly PAD repayments are made from a business account, the loan application must be accompanied by a copy of the company's resolution indicating the names of the authorized signatories for the company's bank account.

## General conditions

Industrial Alliance Trust Inc. will first apply the amounts withdrawn from the registered account (at Investia or IA Clarington) to the repayment of the RRSP loan in the following situations:

- death
- de-registration
- a transfer of funds (to another contract at the Company or to another banking institution)
- partial or total withdrawal

Any amounts withdrawn from an RRSP contract must comply with the *Income Tax Act* and will be subject to tax deductions.

## Specific conditions

Only one RRSP loan per client is permitted. Other than contributing to his/her own RRSP, the principal borrower may decide to contribute all or part of the amount into his/her spouse's RRSP. In this case, a joint loan is granted and both signatures are required.

Industrial Alliance Trust Inc. reserves the right to obtain additional information about the principal borrower's credit rating, if deemed necessary. It also reserves the right to reject an application if the principal borrower's credit file does not meet its standards.

Clients can make contributions to their RRSP contract by PAD at the same time as they repay the loan.

The client will receive an annual statement dated December 31 of each year.

## Responsibility of the representative

The representative is responsible for the quality of the applications submitted.

No loan may be granted to a client who is bankrupt, has ever declared bankruptcy or who has loans or credit card payments or other loans in arrears.

The representative will be called upon to collaborate if the loan defaults. The representative will have to assist Industrial Alliance Trust Inc. in its collection efforts.





## Appendix 1 – Monthly repayment factors per \$1,000 of amount borrowed under the RRSP loan based on the selected repayment period<sup>(1)</sup>

Calculation of initial monthly payment<sup>(1)</sup> based on selected repayment period.

To determine the initial monthly payment, refer to the cell that corresponds to the annual interest rate in effect when the loan application was signed and the selected repayment period.

<sup>(1)</sup> If a payment frequency other than monthly is selected in Part 4, Section A of the loan contract, the payment amount will be adjusted proportionally. The minimum payment is \$25, regardless of the payment frequency selected.

### Monthly repayment factors (in \$) per \$1,000 of loan

Annual interest rate	Daily interest rate	Repayment period									
		1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
<b>With 0.5% discount<sup>(2)</sup></b>											
2.95%	0.0081%	84.6525	—	—	—	—	—	—	—	—	—
3.45%	0.0095%	—	43.1596	—	—	—	—	—	—	—	—
4.45%	0.0122%	85.3278	43.5983	29.6974	22.7536	18.5926	—	—	—	—	—
5.20%	0.0142%	—	—	—	—	—	16.1647	14.1945	12.7213	11.5795	10.6696
<b>No discount</b>											
3.45%	0.0095%	84.8773	—	—	—	—	—	—	—	—	—
3.95%	0.0108%	—	43.3786	—	—	—	—	—	—	—	—
4.95%	0.0136%	85.5535	43.8186	29.9180	22.9760	18.8173	—	—	—	—	—
5.70%	0.0156%	—	—	—	—	—	16.3950	14.4280	12.9581	11.8196	10.9131

Annual interest rate	Daily interest rate	Repayment period - 120-day option (When the 120-day option is selected in Part 3, Section B of the loan contract.)									
		1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
<b>With 0.5% discount<sup>(2)</sup></b>											
2.95%	0.0081%	85.2683	—	—	—	—	—	—	—	—	—
3.45%	0.0095%	—	43.5267	—	—	—	—	—	—	—	—
4.45%	0.0122%	86.2640	44.0767	30.0232	23.0032	18.7966	—	—	—	—	—
5.20%	0.0142%	—	—	—	—	—	16.3720	14.3765	12.8844	11.7280	10.8064
<b>No discount</b>											
3.45%	0.0095%	85.5993	—	—	—	—	—	—	—	—	—
3.95%	0.0108%	—	43.8011	—	—	—	—	—	—	—	—
4.95%	0.0136%	86.5977	44.3535	30.2832	23.2564	19.0470	—	—	—	—	—
5.70%	0.0156%	—	—	—	—	—	16.6254	14.6308	13.1402	11.9858	11.0665

<sup>(2)</sup> 0.5% discount is granted on loans taken out between November 1 and February 15 of each year.

# Appendix 2 – Analysis of capacity for repayment

Analyzing your client’s financial position is an integral part of the application process and allows you to assess their capacity to fulfill their commitments with respect to RRSP loan payments. It is very important that this section of the application be PROPERLY COMPLETED in order to avoid placing your clients in a situation where they would be unable to make the required repayments.

## Incomes

Use all sources of regular and continuous gross income, i.e., before the deduction of income taxes and other source deductions. If any of the financial obligations are the responsibility of both the borrower and his/her spouse, both incomes may be considered.

Gross monthly income		
Principal borrower	(Monthly income \$ X 35%)	
Spouse	(Monthly income \$ X 35%)	
Total gross monthly income	(A)	

## Appendix 2

### Less monthly obligations

#### Mortgage or rent

\$ \_\_\_\_\_

The mortgage payment must include the principal, interest and all payable at a later date (in one year, for example). taxes. Also include all mortgage payments on a second mortgage and mortgages on secondary residences. Rental incomes can be deducted from the mortgage payment. For renters, include the cost of the rent, heating and electricity.

#### Personal loans (furniture, electronics, miscellaneous)

\$ \_\_\_\_\_

All payments for loans other than those mentioned above. Remember to add monthly payments for instalment purchases (stereo, video, furniture, etc.) even if they are only payable at a later date (in one year, for example).

#### Bank line of credit or loan

\$ \_\_\_\_\_

Calculate 5% of the bank's line of credit limit, even if it has not been used or is only partially used.

#### Auto loan or lease

\$ \_\_\_\_\_

The total monthly car loan or lease payment, including taxes, must be indicated.

#### Credit card(s)

\$ \_\_\_\_\_

Calculate 5% of the authorized limit of all credit cards, even if they are not used or only partially used.

#### Other financial obligations

\$ \_\_\_\_\_

All obligations that were not previously mentioned. (e.g.: support payments)



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