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## ***New laws for creditor protection for RRSPs, RRIFs and DPSPs***

*(Extract from our September, 2008 Newsletter)*

In November 2003 a Senate Committee on Banking, Trade and Commerce presented a report that recommended that RRSPs be exempt from seizure in the event of a bankruptcy, under certain conditions. Subsequently a Bill was introduced in 2005, which was ultimately known as Bill C-12, and which led to these new creditor protections coming into force effective July 7, 2008. The following is an overview of these protections:

### **Provisions that protect RRSPs, RRIFs and Deferred Profit Sharing Plans ("Registered Plans") against seizure in a bankruptcy:**

The new law introduces stronger protection against seizure of registered plans if an individual is declared bankrupt. The caveat is that there is a claw back of contributions made to the plan in the 12 months prior to the bankruptcy. This is a Federal/national law for all plans - but if provincial law is already in place, the provincial law trumps.

### ***Does this mean that all registered plans are creditor-protected?***

No. Under the new legislation, the protection extends only to individuals who actually become bankrupt - those in financial hardship with creditors still may not be protected.

### ***Does this mean that investments in segregated funds can still be an effective option for higher-risk individuals such as business owners?***

Yes, the Federal legislation does not protect individuals in financial difficulty from seizure of their RRSP or RRIF. A segregated fund is governed by provincial Insurance Acts, and thereby continue to offer the added value of creditor-protection to non-bankrupt individuals' registered assets and to an individual's non-registered accounts.

### ***Don't all provinces have creditor-protection legislation for registered plans?***

No. Quebec, Prince Edward Island, Saskatchewan and Newfoundland/Labrador have creditor protection laws in place. Ontario, Manitoba, and British Columbia have laws in place protecting registered assets on a more limited scale. Other provinces, to our knowledge at this time, do not have creditor-protection in place, so will follow the new Federal legislation.