



How Does Bankruptcy Affect Registered Savings Accounts?

3 Acts govern pension exemptions in Ontario

Bankruptcy and Insolvency Act

Exempts RRSPs from seizure except for contributions made in the last 12 months

Ontario Pensions Act

An RPP governed by the Ontario Pensions Act is exempt from seizure

Insurance Act of Ontario

RSPs with a life insurance component are exempt if the beneficiary is a spouse, parent, child or grandchild



Company Pension Plans

Your employer takes 5% of your pay and puts it in a registered company pension. All assets are protected.



RRP with Life Insurance

Registered retirement plans are yours to keep, including contributions made in the last year as long as the beneficiary is a spouse, parent, child or grandchild.



Registered Retirement Savings Plan

Only contributions made to your RRSP in the last 12 months before filing bankruptcy are at risk of seizure by the Licensed Insolvency Trustee.



Transfers between RRSPs

Transfers are not contributions and as such all transfers between plans are safe from seizure no matter when they occur.



Spousal RRSP

The BIA applies to RRSPs you own and control. If you file bankruptcy, contributions you made to your spousal plan are not subject to seizure by the trustee. If your spouse goes bankrupt, the maximum exposure for their spousal RRSP is the contributions you made in the last 12 months.



Registered Retirement Income Fund

A RRIF is treated the same as an RRSP. Normally individuals withdrawing funds from a RIF are not making current contributions, however if they do, their maximum exposure is contributions made within the past 12 months.



Registered Disability Savings Plan

A British Columbia Supreme Court ruling held that funds in an RDSP cannot be seized by an LIT for the benefit of creditors.



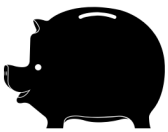
Deferred Profit Sharing Plan

A DPSP is treated the same as an RRSP. The maximum exposure is any contributions made in the last 12 months. Most DPSP plans have terms that the employee cannot withdraw these funds while still an employee for that company, therefore the full amount in the DPSP could be protected.



Locked-in Pension Plans

Pension plans that are designated as a Locked-In Registered Plan are exempt from bankruptcy or seizure. A Licensed Insolvency Trustee has no entitlement to money in this plan, including recent contributions.



Tax-Free Savings Account

While a Tax-Free Savings Account (TFSA) is a registered savings vehicle, it is not an RRSP and as such is subject to seizure.



Registered Education Savings Plan

Because the plan holder (usually the parent) can cash out a Registered Education Savings Plan (RESP) at any time, an RESP is considered to be an asset of the plan-holder. Therefore, if the plan-holder is bankrupt, an RESP is subject to seizure by the trustee

Options To Deal with Seizable Assets



BUY BACK

You can buy back these assets from the Licensed Insolvency Trustee. A payment plan matching the term of the bankruptcy can be arranged.



CONSUMER PROPOSAL

If you have significant assets and debt, a consumer proposal is a viable option. In a consumer proposal you don't lose RRSP contributions or any assets.

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Source:
<https://www.hoyes.com/blog/rrsp-bankruptcy-laws-canada/>

Licensed Insolvency Trustees

Every situation is unique. Talk with a Licensed Insolvency Trustee about how bankruptcy may affect you and your assets.