



JOHNSTONE'S JOURNAL is published monthly, and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies, and use as a payroll staffer.

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Group Registered Retirement Savings Plans (RRSPs) Benefit from the Group Advantage

Group RRSPs

Advertising for Registered Retirement Savings Plans (RRSPs) is everywhere at this time of year, yet investment professionals say that too many Canadians still do not contribute to them. Even when employees are fortunate to be able to join a group RRSP through their employer, they still don't take advantage of all the benefits, such as employer matching, and lower investment management fees.

A group RRSP is an employer-sponsored retirement savings plan, similar to an individual RRSP, but administered as a group by the employer. Contributions are made through payroll deductions with pre-tax dollars. Employers may match employee contributions (typically matching up to 3-5% of earnings).

Also known as Capital Accumulation Plans (CAPs), group RRSPs have significant advantages for employers and employees. By offering tax-effective programs that encourage employees to save, employers benefit by creating loyalty and employees benefit from the availability of superior products and increased services that help them plan and finance their futures.

Other options include Deferred Profit Sharing Plans (DPSP) and Defined contribution Pension Plans (DCPP).

Advantages of a Group RRSP

Group RRSPs are a powerful tool to help employees prepare for retirement. Here are a few of the advantages that group RRSPs have over individual (retail) RRSPs:

Group purchasing power – gives your employees **lower fee** investment options. All

mutual funds have fees which are called management expense ratios, or MERs. A lower MER equals a higher net rate of return.

Group plans have no additional fees for investing in a fund, changing investment options, or closing an account. There is typically **no minimum** group RRSP contribution and employees can change the amount at any time.

Employees own their contributions. This means they make their own investment decisions based on their specific financial goals and risk tolerance.

To reach their financial goals faster, **employees can make additional lump-sum deposits** by depositing overtime pay or bonuses.

Group RRSPs offer **professional and consistent services for all employees**, regardless of the amount of investment. Group providers offer quality service to all investors, unlike individual RRSPs providers which tend to cater to the more affluent.

Dollar-cost averaging (investing a set amount at regular intervals) through payroll deductions is proven to be one of the most powerful investment strategies to reduce market risk.

Expert Advice

Attracting and retaining the best employees is your ultimate goal. Group RRSPs are becoming one of the most popular benefits added by small and medium size employers. By partnering with the right provider, you will find it simple to create the right plan for your employees. **Call us to set up the plan that works best for you.**