



# THE COST OF RRSP WITHDRAWALS

The goal of the IBEW Local 894 Retirement Savings Plan is to provide you with a convenient, tax-efficient and competitive method of saving and investing for retirement. You need to plan to ensure that you have adequate funds saved for your retirement in order to support your income needs and the IBEW Local 894 RRSP can be an important component of these savings resources. However, members that choose to withdraw funds prior to retirement should consider the impact of these withdrawals on their retirement plan.

- **Loss of tax-sheltered growth.**

Saving for retirement within a registered plan is the most tax-efficient method, as all contributions and growth are tax-sheltered as long as they remain in the plan. When you withdraw funds from the plan, the amount withdrawn is added to your income for the year and you are taxed on this amount. Where possible, funds should be withdrawn from non-registered savings sources instead of your RRSP.

- **Depletion of retirement resources.**

Many investors do not realize the limited support from Government sources they may be entitled to receive at retirement and are required to rely heavily on their own resources. Frequent withdrawals from your RRSP can result in a depletion of your savings.

If you make a withdrawal from your RRSP, you are sacrificing the potential for long-term growth. For example, if you make a \$5,000.00 withdrawal 30 years before retirement, these funds could have grown to a value of \$21,610.00 (had they been left in the RRSP, assuming a 5% rate of return). A \$20,000.00 withdrawal made 20 years before retirement could have grown to be worth \$53,066.00.

- **Increased costs.**

IBEW Local 894 members are reminded of the fees that apply to withdrawals.

1. \$40 administration fee per withdrawal (paid to IBEW).
2. \$25.00 administration fee charged by Manulife for the 2<sup>nd</sup> and subsequent withdrawal in a calendar year.

**Before withdrawing funds from the IBEW Local 894 RRSP, we suggest you speak to your financial advisor or contact Reuter Benefits at 1-800-666-0142 to ensure you fully understand the options available to you.**