The RRSP guide for investors in their 30s
Those with a more robust RRSP should consider adding money to a TFSA in the few years before retirement

by Bryan Borzykowski
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The consolidation conundrum
Eydie Wood prides herself on her saving skills. Before retiring in 2011, the 66-year-old ex-nurse had been socking part of her paycheque away for nearly four decades and built up a nest egg that should last well into her golden years. But after that many years of savings, she’s accumulated more than just assets: Wood has three RRSP accounts with three different firms and three non-registered accounts. She wants to know how to consolidate her various accounts to make sure her various assets are all working together efficiently.

Wood’s savings journey started off like most do. When she got married in her 20s, she and her then husband wanted to save money for their futures and so they each opened an RRSP account with Investors Group. He contributed money from his earnings; she put in what she could from some part-time work while she spent most of her time raising their two daughters. By the 1990s, though, life threw her a curve ball when she split with her husband. Wood went into nursing and began saving as much as she could. “I was on my own and needed to look after myself.” While she could have just saved her money in her existing RRSP, she wanted a fresh start. So she went to a new firm, Investia Financial Services, and began saving there.

She’s since become such a savvy investor that she’s also opened up a direct investing account with TD. Yet, her first and second batch of savings are still with Investors and Investia; since she always felt both firms provided good service, she never had a strong desire to take her money from place to place. However, as she’s getting older, and closer to RRIF withdrawal age, she’s now worrying more about having money in multiple locations. Wood wants one advisor to deal with and one statement to read, but she also wants to make it easy for her children to make sense of her money when she eventually passes away. “I want to simplify because I’m going to pass on and someone else will have to deal with this.”

She has talked to advisors at the various firms she invests with about this issue, and, not surprisingly, all of them want her to move her money over to them. She’s not sure how to consolidate or who to trust. But she does know one thing: “I have to get my house in order.”
What the experts say
For many retirees, having too many accounts isn’t the problem—plenty of people don’t even have a decently sized RRSP to rely on. By the time they’re in the home stretch toward retirement, they’ll first need to make sure that they’ve saved enough at this age. If they haven’t then they may need to keep working longer than expected. They’ll need to do the math and figure out how much they’ll need in retirement and then find a way to achieve that goal. Many will have to dramatically cut back spending, or work a few years longer and shovel as much income as they can into their account.

But for those who do have a more robust RRSP, it may start making sense to add money to a TFSA in the few years prior to retirement, says Annie Kvick. If you keep putting money into an RRSP, and then have to withdraw a sizable chunk of money every year, then you may end up having your OAS and GIS payments clawed back. It may even make sense to withdraw early from an RRSP and put some of that money into a TFSA in order to keep your income level in retirement under the clawback line.

As for Wood, having accounts in numerous places is not unusual for fifty- and sixty-somethings who have diligently saved throughout their lives, says Kvick. While consolidating is not always necessary—some people choose to work with different companies for extra diversification—if Wood wants to simplify her accounts, then by all means, she should. Unfortunately, going from three RRSPs to one can be complicated, depending on what someone is investing in. If Wood holds mutual funds that another firm has access to, then all they have to do is sign a transfer form and the money will shift from one RRSP to another, though the savings will remain in that same fund. If she owns securities that the other firm doesn’t have access to—and this may be the case if she wants to move out of her Investors Group funds—then she’ll have to sell that fund and invest it a similar mutual fund. This could trigger a capital gains event in her non-registered accounts, but she doesn’t have to worry about any tax implications within her tax-sheltered RRSP.

Still, she’ll have to do her due diligence when searching for those new funds—the last thing she’ll want to do is buy something that may look similar but comes with a higher fee and poorer performance. Deciding where to put her money is another important decision. She should look at who she works with already and think about whether she has a better relationship with one place over another. She also needs to look at which has cheaper fees and which company generates better returns.
To make sense of all these considerations, Wood should talk to an independent fee-for-service financial advisor for assistance. Remember, just because a firm has a good track record doesn’t mean it’s the best place to be during the drawdown stage. “An investment could be suitable during the accumulation phase, but may not be a good fit during the withdrawal phase,” says Kvick.

Ultimately, “it’s very smart to consolidate,” says Kvick, but it has to be done right. Once Wood does settle on someone, though, it’ll only take a few days to get all of her assets under one roof, provided her investments are fairly straightforward.