

Qualified Investments for Registered Plans

Self-Directed Retirement Savings Plan (RSP)¹

Self-Directed Retirement Income Fund (RIF)¹

Self-Directed Locked-in Plans and Funds¹

Self-Directed Registered Education
Savings Plans (RESP)²

Tax-Free Savings Account (TFSA)³

Registered Disability Savings Plan (RDSP)⁴



Qualified Investments

Self-Directed RSP, RIF, RDSP, RESP, TFSA, and Locked-in Plans and Funds

The *Income Tax Act (Canada)* defines investments that are eligible for inclusion as assets of registered tax deferral and TFSA plans. However, not all assets that are qualified for registered plans are acceptable to all issuers of self-administered plans.

The following list is provided as a guideline of those assets which are acceptable to The Canada Trust Company, as trustee for the TD Waterhouse Registered Plans, for inclusion in self-directed plans. However, as a matter of company policy, any investment which does not fall into one or more of the following categories is not to be considered for inclusion in a TD Waterhouse Self-Directed RSP, RIF, RDSP, TFSA, or Locked-in Plans or a TD Securities Inc. RESP⁵.

It is the responsibility of the planholder to ensure that investments are qualified for a self-directed registered plan.

1. Bonds, Debentures, Notes or other similar obligations:

- a) of a Canadian corporation, at least one class of the shares of which is fully listed on any designated Canadian stock exchange below; or
- b) of a Canadian corporation that is controlled by another corporation, at least one class of the shares of which is fully listed on a designated Canadian stock exchange; or
- c) of a Canadian corporation provided that the payment of principal and interest is guaranteed by a corporation at least one class of the shares of which is fully listed on a designated Canadian stock exchange; or
- d) of a Canadian corporation that has, or is controlled by a corporation that has, issued and outstanding share capital carried in its books at not less than \$25,000,000 and has at least \$10,000,000 of issued and outstanding bonds, debentures or other debt instruments that are held by at least 300 different persons and that was issued by way of an offering in accordance with Canadian securities laws; or
- e) of, or guaranteed by the Government of Canada; or
- f) of the government of a province of Canada or its agent; or
- g) of a municipality in Canada; or
- h) of a corporation, commission, or association not less than 90% of the shares or capital of which is owned by Her Majesty in right of a province or by a Canadian municipality, or of

a corporation which is a wholly-owned subsidiary of such a corporation, commission or association; or

- i) of a hospital or education institution provided that the payment of principal and interest is guaranteed by a province of Canada.

Note: i) a Canadian corporation is generally one which was incorporated and resident in Canada and is resident in Canada.

- ii) bonds, debentures, notes or similar obligation of a mortgage investment corporation are not eligible.

2. Any class of shares in the capital stock of a "Canadian corporation" (i.e. incorporated and resident in Canada) of which at least one class of shares is fully listed on one of the following designated Canadian stock exchanges:

- Montreal Exchange
- Tiers 1 and 2 TSX Venture Exchange
- The Toronto Stock Exchange (TSX)

Note: i) "designated Canadian stock exchange" does not include the Winnipeg Commodities Exchange

- ii) "share" does not include commodities such as gold, silver, wheat, soy beans nor their "futures"

3. A "right" or "warrant" to acquire property all of which is itself a qualified investment.
4. Guaranteed Investment Certificates (GIC) and Term Deposits approved by TD Waterhouse Canada Inc. Call your nearest TD office or 1-800-465-LINE (5463) for a list of eligible GICs and Term Deposits.
5. Shares of mortgage investment corporations where the corporation does not extend loans to a planholder or other persons not at arm's length with the annuitant.
6. A bond, debenture or other debt obligation of a cooperative corporation that has at least 100 shareholders or, if all the shareholders are corporations, has at least 50 shareholders. The debt obligations must be held by at least 100 different plan trusts over a qualifying period of time.
7. A Non-Arm's Length Mortgage on the Canadian residence of the planholder or any other family member. Certain other restrictions apply.
8. Indebtedness of a Canadian corporation represented by a banker's acceptance, where the planholder deals at arm's length with the corporation.
9. A limited partnership unit which is listed on a prescribed stock

exchange in Canada.

10. An interest in a small business investment trust or small business investment limited partnership subject to approval.
11. Shares in the capital stock of a Canadian mutual fund corporation.
12. Units of a Canadian mutual fund trust.
13. Shares of a corporation fully listed on any one of the following foreign stock exchanges.
 - Australia: Australian Securities Exchange
 - Austria: Vienna Stock Exchange
 - Belgium: Euronext Brussels
 - Bermuda: Bermuda Stock Exchange
 - Brazil: BM&F Bovespa Stock Exchange
 - Czech Republic: Prague Stock Exchange (Prime Market)
 - Denmark: Copenhagen Stock Exchange
 - Finland: Helsinki Stock Exchange
 - France: Euronext Paris
 - Germany: Frankfurt Stock Exchange
 - Germany: Boerse Stuttgart AG (Stuttgart Stock Exchange)
 - Hong Kong: The Hong Kong Stock Exchange
 - Ireland: Irish Stock Exchange
 - Israel: Tel Aviv Stock Exchange
 - Italy: Milan Stock Exchange
 - Jamaica: Jamaica Stock Exchange (Senior Market)
 - Japan: Tokyo Stock Exchange
 - Luxembourg: Luxembourg Stock Exchange
 - Mexico: Mexico City Stock Exchange
 - Netherlands: Euronext Amsterdam
 - New Zealand: New Zealand Stock Exchange
 - Norway: Oslo Stock Exchange
 - Poland: The main and parallel markets of the Warsaw Stock Exchange
 - Republic of Korea: Korea Exchange (KOSPI and KOSDAQ)
 - Singapore: Singapore Stock Exchange
 - South Africa: Johannesburg Stock Exchange

- Spain: Madrid Stock Exchange
- Sweden: Stockholm Stock Exchange
- Switzerland: SWX Swiss Exchange
- United Kingdom: London Stock Exchange
- United States: Boston Stock Exchange
- United States: Chicago Board of Options
- United States: Chicago Board of Trade
- United States: Chicago Stock Exchange
- United States: National Association of Securities Dealers Automated Quotation System
- United States: National Stock Exchange
- United States: New York Stock Exchange
- United States: NYSE Arca
- United States: NYSE MKT
- United States: Philadelphia Stock Exchange

14. Debt obligations of corporations whose shares are listed on the stock exchanges listed above.

15. Investment grade debt obligations of foreign governments (Obligations must have a minimum investment grade of Triple B from a North American rating agency at the time the investment is made.) (This includes U.S. T-Bills)

16. A royalty unit that is listed on a prescribed stock exchange in Canada and the value of which is derived solely from Canadian resource properties.

17. A debt obligation issued or guaranteed by:

- International Bank for Reconstruction and Development
- International Finance Corporation
- Inter-American Development Bank
- Asian Development Bank
- Caribbean Development Bank
- European Bank for Reconstruction and Development

18. A share or interest in a credit union.

19. A share in an eligible small business corporation. An eligible small business corporation is defined, in general, as a Canadian corporation (other than a corporation controlled at that time, directly or indirectly in any manner whatever, by one or more non-resident persons) all or substantially all of the fair market value of the assets of which is attributable to assets that are:

- used principally in an active business carried on primarily in

Canada by the corporation or by a corporation related to it;

- shares or debts of connected small business corporations; or
- a combination of the above two.

20. Money which is Canadian legal tender.
21. Investment contracts issued by a prescribed corporation that pay a fixed or determinable amount to the holder at maturity.
22. An annuity with a licenced annuities provider that qualifies as retirement income and is issued in respect of the planholder under the registered plan.
23. Depository receipts and certain foreign exchange index funds.
24. A certificate issued by certain corporations or the Royal Canadian Mint representing a claim of the holder of the certificate to specified gold or silver held by the issuer of the certificate under certain conditions.
25. Options listed on prescribed exchange to acquire or sell property that would be qualified investments.

Non-Qualified Investments (NQI)

RSP / RIF / RDSP

A one-time 50% penalty tax on the market value of the NQI will be assessed to the client by CRA when the investment is deemed non-qualified. The 50% tax will be charged directly to the client, not the Registered Plan. Applies to investments acquired by the plan after March 23, 2011.

Note: This tax is refundable under certain circumstances. For more information please contact CRA directly at 1-800-959-8281.

RESP

A 1% penalty on the book value of the NQI that is held in the RESP is charged monthly to the plan account. The RESP can be revoked immediately if a) the plan acquired a non-qualified asset or b) within 60 days if an asset that becomes non-qualified is not removed.

TFSA

To address certain concerns that arise from the special tax treatment of a TFSA, the *Income Tax Act* specifies some limitations on TFSA investments. Specifically, a TFSA will be prohibited from holding investments in any entities with which the account holder does not deal at arm's length-including for this purpose an entity of which the account holder is a "specified shareholder" as defined in the *Income Tax Act* or in which the account holder has an analogous interest (generally a 10 per cent or greater interest, together with non-arm's length persons).

A penalty equivalent to 50% of the fair market value of the property will be assessed directly by Canada Revenue Agency (CRA) to the individual for any asset that becomes unqualified for holding in a TFSA. Currently CRA is not providing any grace period for removing non-qualified Investments. The charge is a one-time penalty as assessed directly by CRA. Consideration or allowances to this ruling will be accepted only by CRA in direct communication with the individual as part of their annual income tax filing.

To determine whether a particular asset is a qualified investment for a TFSA, you or the client can contact the Canada Revenue Agency through its direct inquiry line: 613-957-8953.

The information in this brochure is offered as a guide only, is subject to change and is not complete. You should refer to the *Income Tax Act (Canada)* and applicable regulations and interpretations. Any questions you may have should be directed to your personal tax advisor.

For more information,
call your TD office or visit
td.com



¹ Refers to the TD Waterhouse Self-Directed Retirement Savings Plan or the TD Waterhouse Self-Directed Retirement Income Fund, and locked-in versions of each. ² Registered Education Savings Plan (RESP) - Refers to the TD Securities Inc. Self-Directed Education Savings Plan. ³ Tax-Free Savings Account (TFSA) - Refers to the TD Waterhouse Tax-Free Savings Account. ⁴ Registered Disability Savings Plan (RDSP) - Refers to the TD Waterhouse Disability Savings Plan. ⁵ The Canada Trust Company is trustee for TD Waterhouse Canada Inc. and TD Securities Inc. registered plans. TD Direct Investing, TD Wealth Financial Planning and TD Wealth Private Investment Advice are divisions of TD Waterhouse Canada Inc., a subsidiary of The Toronto-Dominion Bank. TD Waterhouse Canada Inc. — Member of the Canadian Investor Protection Fund. ® The TD logo and other trade-marks are the property of The Toronto-Dominion Bank.