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the newsletter of Prentice Yates & Clark

## Registered Retirement Savings Plan vs. Tax-Free Savings Account – What’s the Difference?

**Both the Registered Retirement Savings Plan (RRSP) and the Tax-Free Savings Account (TFSA) allow you to build savings in a tax-sheltered environment. So, what are the differences between the two – and when does it make sense to invest in one over the other?**

The purpose of the RRSP, as its name states, is for long-term savings for your retirement. The TFSA is a more flexible vehicle to save for more immediate goals, such as buying a new car or a house, or creating an emergency fund. And it may also be used to save for retirement.

### Who is eligible?

The RRSP has no minimum age, but you must have “earned income” in the prior year to create contribution room. Earned income includes income from employment, self-employment and certain other sources, and is reduced by some employment-related expenses, and business and rental losses. The RRSP matures in the calendar year in which you turn 71.

For the TFSA, you can begin contributing as of age 18, and there is no maximum age.

### How much can you contribute?

With an RRSP, you can contribute up to 18% of your earned income in the preceding year, up to a maximum annual limit (\$27,830 for 2021). Your contribution room is reduced when you have an employer-sponsored pension plan. The contribution for the year must be made by the 60th day of the following year – so, close to the end of February or beginning of March – and you can carry forward any unused contribution room indefinitely.

Keep in mind that if you overcontribute to your RRSP by more than \$2,000, there is a penalty of 1% per month. You can deduct up to the greater of your actual contributions and your contribution limit for



the year from your taxable income, reducing the amount of tax you pay on other sources of income.

TFSA contributions must be made by December 31 of the relevant year. Here are the annual contribution limits:

2009-12	\$5,000
2013-14	\$5,500
2015	\$10,000
2016-18	\$5,500
2019-21	\$6,000

Similar to RRSPs, unused TFSA contribution room can be carried forward. For example, if you turned 18 in 2018 and have never contributed to a TFSA, your limit in 2021 is \$23,500 (\$5,500 + \$6,000 + \$6,000 + \$6,000).

And as with an RRSP, you also face a 1% per month penalty if you go over your contribution limit.

### What if you want to withdraw from the fund?

With an RRSP, you may be able to withdraw funds to buy your first home or finance a return to school without being liable for taxes right away.

- The Home Buyers Plan (HBP) allows you to withdraw up to \$35,000 to help pay for your first home; you pay this money back into your RRSP through instalments over 15 years.
- Under the Lifelong Learning Plan (LLP), you can withdraw up to \$10,000 in a calendar year, to a maximum total of \$20,000, to finance full-time education or training for you, or for your spouse or common-law partner. These funds must be paid back through instalments over 10 years.

Any unpaid instalments for either the HBP or LLP are added to your taxable income for that year. Any other withdrawals from your RRSP are also included in your taxable income in the year that you receive them, and you cannot re-contribute that amount once you have withdrawn it.



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## Registered Retirement Savings Plan vs. Tax-Free Savings Account—What’s the Difference? - continued

Just as there was no tax deduction for TFSA contributions, you do not pay tax on TFSA withdrawals. You can recontribute the withdrawn funds to your TFSA in a subsequent year (just not the same year you withdrew it). The amount withdrawn gets added to your contribution room for future years.

### How does having a spouse help you get the most out of these plans?

If you have a spouse or common-law partner, you can invest up to your contribution limit to a spousal RRSP. Generally, the amounts your spouse withdraws from these plans would be included in their taxable income, rather than in yours. Some restrictions apply.

If there is a significant difference between the incomes of two spouses, the spousal RRSP can minimize the total tax that the family pays in retirement by splitting income between one spouse in a higher tax bracket and the other in a lower tax bracket.

There are no spousal TFSAs. However, you can give money to your spouse for their own TFSA contribution and the income earned will not be subject to tax.

### When does it make sense to invest in one vs. the other?

There are many factors that would affect whether investing in your RRSP rather than your TFSA may make sense, and these can be quite complex. Here are some general factors that you may consider helpful.

#### Your tax bracket

If you are in a higher tax bracket when you are making the contribution and expect to be in lower tax bracket when you will be withdrawing the funds, the RRSP can offer significant advantages. But if you are in a lower tax bracket when contributing, those benefits will not be as great – though you still benefit from deferring tax from the year you made the contribution to the year that you withdraw the funds.

#### Your timeline for withdrawal

The timeline for when you expect to need the funds is another important factor. When your RRSP matures in the year that you turn 71, you have two options for relief from being liable for taxes immediately: You may transfer the balance in the account to a Registered Retirement Income Fund (RRIF), or use it to purchase an eligible annuity.

RRIF plans require that you withdraw a minimum amount each year, based on your age. It’s also worth noting that any RRSP or RRIF withdrawals or annuity payments are added to your taxable income and may trigger a 15% clawback of the Old Age Security for income above a certain amount (\$79,845 in 2021).

While the HBP and the LLP offer you some flexibility to access your RRSP funds without paying tax, the TFSA is much more flexible since you can withdraw funds on a tax-free basis and recontribute them in a future year.

#### Your investment type

Your choice of investment type may also affect your choice of RRSP vs. TFSA. For example, if your portfolio includes United States stocks, their Internal Revenue Service (IRS) recognizes the RRSP as a retirement savings account and does not withhold tax on the dividends you receive.

On the other hand, the IRS does not recognize the TFSA in the same way, so there will be 15% withholding tax charged on those dividends.

There is no foreign tax credit to offset that 15%, as there would be for investments in a non-registered account.

The RRSP and the TFSA are both important savings vehicles for Canadians. Understanding the differences between the two can help you make the decision when to use either (or both!) to meet your savings goals. ♦

## Six simple ways to cope with stress in the “new normal”



**We can all agree that adapting to the changes brought by the coronavirus has been stressful for all of us. But what does it mean when we acknowledge that we are “stressed out”? And what can we do to cope as we continue to navigate these unusual times?**

For almost a year now, we’ve had to rearrange our schedules, homeschool our children, isolate from our loved ones and deal with empty store shelves. The most stressful part is likely living with the fear that our loved ones could be harmed by this virus.

Of all the things the pandemic has taught us, we’ve learned that what is most important to us as human beings is our health and well-being. And while we’ve been adjusting to keep ourselves and our families safe, we’ve had to endure an incredible amount of stress along the way. How does that affect our health?

Let’s paint a picture ... imagine you’re camping, and you encounter a grizzly bear. Your family is in the tent, but you’re outside making a fire before the sun goes down. You lock eyes with that grizzly bear, and your body immediately releases the stress hormones adrenaline and noradrenaline, and the more critical measure of stress, cortisol – lots of it. Your heart races, your breathing quickens, your pupils dilate, and you focus on nothing else but the situation at hand.

Your automatic response will be one of two things: Stand your ground and scare off the grizzly, or slowly back away and get the heck out of there with your family. This response is what is commonly known as the “fight or flight” response. Now, that’s an extreme example, but that same physiological response is triggered on a lesser scale when you encounter daily stressors. When that becomes chronic, your body is constantly in fight-or-flight mode, which can lead to a slew of health problems down the line. There is a reason stress is called “the silent killer.”



## Six simple ways to cope with stress in the “new normal” - continued

### How stress manifests day to day

You might be thinking, “I can handle my life. I don’t feel stressed out.” The problem with chronic stress is that it manifests in small ways that we become so used to, that we don’t even realize it’s happening! Here are some ways you can tell you’re battling chronic stress:

#### Energy

- You wake up feeling unrefreshed.
- You have difficulties getting out of bed in the morning (even after 8-plus hours of sleep).
- You have difficulties falling and/or staying asleep.
- You find yourself unable to keep up with work the way you used to.
- You are experiencing “brain fog.”
- Exercise makes you more tired.

#### Nutrition and digestion

- You often crave salty or sugary foods.
- You have difficulty digesting your food.
- You often have heartburn or reflux.
- You are constipated and/or have loose stools.

#### Physical and mental health

- You are gaining or losing weight (without trying).
- You are less interested in sex.
- You often get sick or acquire infections.
- You are becoming more irritable and impatient.
- You are starting to experience more physical pain.
- You are experiencing low moods, making it difficult to find joy in life.
- You are having panic attacks.

If any of these seem familiar to you, you could be dealing with symptoms of chronic stress and maybe even burnout. The response I talked about earlier – the release of adrenaline, nor-adrenaline and cortisol – is an adaptive response that helps us survive.

The problem is, when we are chronically stimulating the release of cortisol, it affects how our bodies function by influencing changes in our hormones, the function of our gut (think: gut-brain connection) and changes in the neurotransmitters in our gut and brain. This negatively affects our mood, our energy, our sleep quality, our blood sugar and blood pressure, our digestion and so much more.

#### What you can do to ease your stress

Taking a step back from daily duties to allow yourself to heal would work wonders; but, as a professional, I know that’s nearly impossible. Gathering with loved ones, going out for a social outing, or travelling are usually great stress relievers for people, but these, too, are near-impossible in the world’s current climate.

But there are some measures you can take that are proven to decrease stress and help get you back as much normalcy as possible:

1. Meditate! If you haven’t yet tried it, or are skeptical, it can be difficult to get into. However, studies have proven that meditation can decrease cortisol levels. As a stress-relief method, it’s both effective and free!
2. Try a cortisol-managing supplement. Just remember to always first get advice from a naturopathic doctor (ND) on which supplement is right for you. Each supplement marketed for stress will affect your cortisol levels in different ways.

3. Decrease your caffeine intake. I know, I’m sorry. Caffeine can mimic the symptoms of stress and anxiety. Try to keep it to just one cup of dark roast, black or green tea per day.
4. Have a regular bedtime. Melatonin, the hormone that helps you fall asleep, works on an opposite cycle with cortisol: When melatonin is high, cortisol is low, and vice versa. Try wearing some blue light-blocking glasses to get that melatonin flowing every evening!
5. Do nothing for 15 minutes per day. And I mean nothing. Don’t eat, clean, read or use your phone. Find a spare 15 minutes to allow your mind to rest. This is an alternative if you’re resistant to meditation.
6. Exercise. Unless you are at the point where exercise exhausts you, 30 minutes of exercise per day is a proven way to decrease your cortisol levels and help manage your stress. You can combine this with the previous 15-minutes tip – go for a walk and, instead of listening to music or a podcast, let your thoughts keep you company.

While we cannot change many of the factors that are causing us stress, these small lifestyle adjustments are still within reach. ♦

## The latest in antivirus technology: What you need to know



**The need for antivirus protection came to us just shortly after computers started talking to each other. For years most people needed to install and maintain an up-to-date antivirus program to remain unaffected by malicious activity. Cybersecurity threats have advanced significantly since then. Fortunately for us, a new generation of defences has evolved along with them.**

#### What’s wrong with traditional antivirus solutions?

Most of us know what antivirus solutions do for us. We may not all know the technical details, but we get it. Special software is needed to protect your computer (often referred to as an “endpoint”) from malicious intent that may lie in wait. Antivirus software is installed on a computer and, as long as it is updated regularly, it monitors files for bad code and quarantines them if issues are detected.

This essential premise has not changed – you still need to protect yourself against malicious code being propagated by nefarious individuals; what has changed is the method of attack, what is attacked and the resulting outcome.



## The latest in antivirus technology: What you need to know - continued

Traditional antivirus has become a victim of its own success. Attackers now know where the defence is installed and how it scans and searches for the viruses, and they have exploited the fact that traditional software relied on “updates,” or signature files that told the antivirus software what to look for. In most cases this meant looking for a particular bad file that had been unwittingly installed.

The traditional defence also came into play primarily during the scan, when the antivirus software would run scheduled investigations looking for trouble. What this meant was that, in the time between scans, there was vulnerability.

Since then, traditional antivirus software has become susceptible to newer attack scenarios like:

- memory-based intrusions
- PowerShell scripting language weaknesses
- macro-based attacks
- remote log-in masking and cracking

### What are “next gen” antivirus solutions?

The single largest advantage of next-generation antivirus (NGAV) solutions is that they not only prevent many different types of attacks, but they also are no longer tied to the target computer and can actually learn from attacks as they happen.

While traditional defensive software depended on the placement of a file (or the manipulation of code in an existing file), NGAV no longer has this limitation, as it is focused on events. Events involving things like processes, applications, network connections or even files are monitored and malicious intent determined based on how these events change as the result of attacks.

NGAV is a significant step forward in several aspects:

- First, NGAV applications tend to be cloud-based. This means a lower dependency on local installations, and new information can continually, and more quickly, be shared with all subscribers – no need to wait for scheduled updates.
- Second, NGAV has taken advantage of advancements in the area of machine learning. Essentially, the NGAV programs are capable of learning what the normal operation of your programs looks like and able to identify deviations caused by malicious code.

The newer capabilities also include some extremely complex advancements in the areas of threat intelligence and behavioural analysis. These carry extreme value in that the systems are able to monitor and identify not just malicious programs, but also the impacts those programs have. Essentially, any changes impressed on the target system are identified right away by the impact they have. Rather than the system needing to wait for a file definition update to tell it there is new malicious code to watch for, the NGAV discerns the change in normal operation and takes action. With this significantly improved threat intelligence, the defence can be executed lightning fast.

### Next gen versus traditional

The biggest difference between the traditional and NGAV programs is one of timing. Traditionally, your defences were reactive to intrusion: Attackers developed a new way to attack, and once those attacks were encountered, studied and built, updates were made available to prevent those exact problems in future. With the machine learning and artificial intelligence of new systems, a proactive approach is now available.

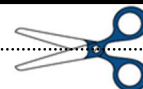
The advantages of NGAV are furthered by the fact that business networks, and even those at home, are increasingly more interconnected with various types of devices. It is commonplace now for even small to medium-sized (SMB) organizations to have multiple layers of connected devices. Servers, computers, mobile devices and network gear all create entry points for malicious software and need to be protected. Before NGAV, each one of these would need their own versions of antivirus software, and each would come with its related maintenance and updates.

### Closing thoughts

Cybersecurity importance has continued to rise over the last few years. Ransomware, malware and denial of service attacks are on the rise, and smaller organizations are just as vulnerable as larger targets. Even most business insurance companies are now offering cybersecurity coverage due to the prevalence of these activities. Without proper coverage, your data – including customer and transactional details – can be copied, shared or held for ransom. But with these next-generation antivirus solutions, you can help protect your electronic assets. ♦

## Inside PYC

Congratulations to Shannette Palmer in reaching the 20-year milestone of service at PYC. Shannette is a dedicated and valuable member of the firm’s administrative support team.



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