

Save money, and time, by consolidating RRSPs

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Doing so can reduce administrative fees and improve one's asset mix, experts say. 'When markets are bad, every cent counts'

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Jennifer Ralston didn't set out to have RRSPs at three separate financial companies. There was a group registered retirement savings plan offered when she worked at an advertising agency. While doing freelance work, she opened a second self-directed RRSP. The third is a group RRSP from when she worked for a non-profit agency.

And although she is committed to saving for her retirement years, with three statements coming in, the 36-year-old freelance copy editor confesses she really doesn't have a handle on how her money is doing.

"I pay attention to the extent that I look at the statements when they come in," the Toronto resident said, but adds that because she is saving for the long run, she doesn't worry about short-term losses.

Saving, be it for an emergency fund or retirement, is on everyone's mind since the market fell out last fall. But while you may want to shove statements in a drawer unopened, there are steps that you can take to save money on managing your investments.

Consolidating RRSP accounts is one of them, said Alexandra Macqueen, an independent fee-for-service financial planner in Toronto.

"When markets are bad, every cent counts. So it's worth paying attention to your costs to participate, particularly in bad times," Ms. Macqueen says.

Some financial advisers charge clients annual administration fees of \$100 or more for an RRSP portfolio, she notes, so consolidating three such accounts could mean annual savings of \$200. And if you trade stocks inside one of those RRSPs, consolidating them could cut transaction fees, which often drop for bigger portfolios.

Consolidation will also give you a truer picture of your investments, making the creation and management of a financial plan easier.

"For most people, simpler is better," Ms. Macqueen says. Evaluating multiple statements, many of which are reported differently, can be a challenge. "The overwhelm factor can be high," she says.

Investors who have more than one RRSP account often don't know what their true asset allocation is, Ms. Macqueen adds. If each account is designed in a vacuum from the others, your entire portfolio may have an inappropriate weighting toward one type of asset, such as stocks or bonds, or region or industry.

From the Canada Revenue Agency's point of view, it doesn't matter how many RRSP accounts a taxpayer has. Because each one is connected to your Social Insurance Number, contributions are tallied across all of your accounts.

Group RRSPs

Group RRSPs allow employees to make contributions from each paycheque, and receive the tax benefit immediately rather than waiting for a refund at the end of the tax year. Often, employers will make matching contributions to the employee plan in lieu of a separate pension plan.

Employees with group RRSPs aren't obliged to keep the money there indefinitely, Ms. Macqueen says. You can often "sweep" the contributions both you and your employer have made from the account once a year, transferring the funds into your main RRSP account.

Consolidating multiple RRSP accounts will also mean you will get better service, says Kevin Gebert, a certified financial planner in Surrey, B.C. "As a planner, the more I know the more I can work with," says Mr. Gebert, who works for Partners in Planning.

If you choose not to consolidate your accounts, you could instead provide your adviser with copies of statements from other accounts to provide the full picture of your situation, Mr. Gebert said, but the adviser probably won't be happy about having to track holdings at

other companies. For most advisers, "It comes down to cost. I want to have all the money serviced by me, because I get paid for that," he said.

However, there may be financial incentives to keep a group RRSP open, Ms. Macqueen says. For example, group plans are often given discounts on management fees. Finding out how much those discounts are may sway your decision on whether to consolidate, but the benefits of such discounts is likely outweighed by having a simplified and coherent plan, she says.

When more is better

Some people may decide to maintain more than one RRSP account because they don't want to entrust their retirement nest egg to a single adviser or company.

Janet Browne, a 40-year-old technical writer from Brooklin, Ont., has had a half-dozen group RRSPs over the years as she changed jobs. When she bought her first house, she whittled three accounts down to one, withdrawing the funds for her down payment. She now has two group accounts and feels comfortable with that.

"One would be better from an organizational standpoint, getting only one statement per month, but having two is good for me in case one goes south," Ms. Browne says.

That is a common concern, says Mr. Gebert, adding that investors must decide for themselves how much they trust their advisers, and their comfort level for various kinds of risk.

But he notes that investors worried about having too much money with one firm can reduce their risk by choosing a financial planner who offers, for example, mutual funds from a number of separate companies.

Many holdings can be moved into a new account "in kind," Mr. Gebert says, meaning that you don't have to change your specific holdings. This allows you to maintain the same level of diversification as held before, but all within one portfolio.

However, you would have to sell any mutual funds that your new money manager isn't authorized to sell; for example, proprietary funds that can only be owned as a client of that fund company.

MAKING THE MOVE

Consolidating multiple RRSP accounts is relatively simple, although it can require a fair amount of paperwork, depending on how many accounts you have accumulated.

Once you choose a financial adviser (or decide to shift to a new adviser), take all of your recent statements about your RRSP holdings with you for a comprehensive meeting about your overall portfolio: what you own, where you have invested, what your goals are, and how your investments may need to be rebalanced to meet those goals.

You will need to sign forms, one for each asset (such as a guaranteed investment certificate or mutual fund), authorizing the company to retrieve your money and transfer it to the account set up on your behalf.

Be clear about whether you are moving your assets "in cash" or "in kind." In kind means that your portfolio moves "as is." Moving assets in cash means that everything is sold first, and the resulting cash is transferred to your new RRSP account.

Transferring your accounts usually takes about 10 business days, says De Colson, senior investment adviser at Canaccord Capital Corp. in Toronto, though it may be up to a month depending on what kind of firm currently holds the account.

Moving your business from one adviser or financial institution to another may incur fees, ranging from \$25 to \$125. Some money managers may pay those penalty fees for you, as the price of winning your business, Ms. Colson says.

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