

BEWARE OF RRSP FRAUD

DO YOU WANT TO USE MONEY FROM YOUR RRSPs WITHOUT PAYING TAX? BE CAREFUL!

After reading an ad in the local newspaper, John, who had recently retired, contacted the “Custom Financing Centre,” a firm offering financial assistance to holders of RRSPs and other registered plans. He was told that he could withdraw money from his RRSP without paying tax. This looked like a very attractive offer!

A simple scheme was proposed to him:

- Use the amount accumulated in his RRSP to buy shares of an “RRSP eligible” company;
- Obtain a loan equivalent to 80% of the RRSP, which could be used as he saw fit.

Since this was an exceptional offer, it was only available for a limited time! And John didn’t take much time to think about the matter before accepting the offer.

**WHEN IT’S TOO GOOD TO BE TRUE, BE CAREFUL!
DON’T GIVE INTO PRESSURE TO INVEST.**


John finally understood this, but it cost him dearly:

- The shares he purchased were worthless. He therefore lost his entire RRSP because the “RRSP eligible” company in which he invested was a dummy undertaking;
- The shares were not RRSP eligible, contrary to what he had been told. He thus could not withdraw money from his RRSP without paying tax and he received notices of assessment from the provincial and federal governments. He was now obliged to pay tax on all the money withdrawn from his RRSP, plus interest and substantial penalties for infringing the rules.



THE LESSONS TO BE LEARNED:

- Before you invest, ensure that the dealer and the dealer's representative are registered with the Autorité des marchés financiers (AMF);
- Make sure the company that issued the shares (or the securities) has filed a prospectus with the AMF;
- Never take it for granted that the person you are dealing with is telling the truth.



There are other lessons to learn as well. Read the brochures on investment published by the AMF. They won't offer you unique investment opportunities, but will give you a wide range of very useful information.

For more information on fraud :

[Watch out for securities fraud](#)

Information Centre

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