Smarter Accounts, More Wealth

How the right asset in the right account can add thousands per year — without changing what you own

The right question. Most retirement reviews focus on what you own. The most valuable conversations often start with *where* you hold it — and whether each account is working as hard as it could.

> ***Illustrative & Educational.*** *The family in this story is a composite created for educational purposes; names and details are fictional and do not represent any specific client. All figures are illustrative only. See Important Information on page 4.*

01 The family at a glance

Ken and Sandra are retired in Alberta. Over four decades of careers and careful saving, they have built what they believe is a well-managed portfolio: a RRIF, a TFSA each, and a non-registered investment account. Their children are established; they now have four grandchildren they hope to help with university.

When they sat down with their advisor for a comprehensive review, they expected a conversation about returns. What they got instead was a conversation about tax — specifically, about how their existing investments were generating far more tax than necessary, not because of what they owned, but because of where it was sitting.

WHAT THE REVIEW FOUND

- **Interest income fully exposed**
  $200K in bonds/GICs taxed at ~48% in the wrong account.
- **US withholding tax leaking**
  15% silently lost on US dividends held in TFSAs.
- **RESP grants unclaimed**
  $2,000/yr in federal education grants left on the table.
- **Combined impact: ~$9,700/yr**
  in savings and grants — without changing a single investment.

THE CORE PRINCIPLE

Restructuring where investments sit — not what you own — is one of the most powerful and underused tax levers available to Canadian retirees.

02 Why account placement is a tax decision

Not all investment income is taxed the same way in Canada. The type of income a holding generates — interest, foreign dividends, Canadian dividends, or capital gains — determines how it is taxed, and that has a direct bearing on which account it should live in. The principle is straightforward: **hold the most heavily-taxed income types inside registered accounts** where they are sheltered, and hold the most lightly-taxed types where they are treated more gently.

EXHIBIT 1

The asset location hierarchy — where each income type belongs

INCOME TYPE	TAX TREATMENT	OPTIMAL ACCOUNT
Interest income (GICs, bonds)	100% included in taxable income — taxed at full marginal rate	**RRSP / RRIF**
US & foreign dividends	100% included + potential withholding tax; no dividend tax credit	**RRSP / RRIF** — Canada-US treaty
Canadian dividends	Eligible for dividend tax credit — preferential effective rates	**Non-registered**
Capital gains	Only 50% included in income — most tax-efficient type	**Non-registered**

Marginal tax rates vary by province and individual circumstances. The hierarchy above applies to most high-income Alberta residents in 2026.

KEY ACCOUNT TYPES

RRSP / RRIF
Registered retirement accounts. Growth is tax-deferred; withdrawals taxed as income. US treaty eliminates withholding tax on US dividends.

TFSA
Tax-Free Savings Account. No tax on growth or withdrawals — but the Canada-US treaty does *not* apply. US withholding tax is unrecoverable.

Non-registered
Taxable account. Interest, dividends and capital gains are taxed in the year received, but Canadian dividends and capital gains receive preferential treatment.

RESP
Registered Education Savings Plan. Tax-deferred growth plus a 20% federal CESG match on contributions — up to $500/child/year.

ADVISOR TIP

Interest income is the most expensive type to hold outside a registered account. It is almost always the first thing to move in a restructuring review.

03 What the review uncovered — four hidden tax costs

NON-REG → RRIF — **~$4,800/yr**

Bonds & GICs in the non-registered account

$200K in fixed income generating ~$10K/yr in interest, taxed at Alberta's top marginal rate of ~48%. Moving to the RRIF shelters the interest entirely.

TFSA → RRSP/RRIF — **~$1,500/yr**

US equities in the TFSA

The Canada-US treaty does not apply to TFSAs. A 15% withholding tax was silently deducted on every US dividend — unrecoverable. Moving to an RRSP eliminates it.

NON-REG → RRSP/RRIF — **~$1,440/yr**

US equities in the non-registered account

Foreign dividend income taxed at the full marginal rate — no dividend tax credit applies. Moving to RRSP/RRIF makes them exempt under the treaty.

OPEN NEW ACCOUNTS — **$2,000/yr**

No RESPs for four grandchildren

The federal CESG adds $500 per grandchild per year — up to $7,200 lifetime. With four grandchildren, that is $2,000/yr in grants left unclaimed.

EXHIBIT 2

Illustrative: the annual impact of restructuring

RESTRUCTURING MOVE	ISSUE BEFORE	AFTER	ANNUAL SAVING
$200K bonds/GICs: non-registered → RRIF	Interest taxed at ~48% marginal rate	Interest fully sheltered	**~$4,800/yr**
US equities: TFSA → RRSP/RRIF	15% US withholding tax unrecoverable	Withholding eliminated by Canada-US treaty	**~$1,500/yr**
US equities: non-registered → RRSP/RRIF	Dividends taxed at top marginal rate	Exempt from both Canadian and US tax	**~$1,440/yr**
Open RESPs for 4 grandchildren	No government grants being claimed	$500 CESG per child per year	**$2,000/yr** in grants
Combined illustrative impact			**~$9,740/yr**

Illustrative only. Assumes a ~48% top Alberta marginal rate, 5% fixed-income yield, 2% US dividend yield, and CESG at $500 per child per year. Actual savings depend on account balances, income, tax rates and individual circumstances. In-kind transfers may be available and their tax treatment should be confirmed with a qualified advisor.

04 Back to Ken and Sandra

One more opportunity emerged. Ken and Sandra had excess cash flow with no efficient home. A permanent life insurance policy was introduced as a complement to their portfolio — providing tax-sheltered growth inside the policy and a tax-free death benefit to help offset future estate costs for the next generation.

In-kind transfers allowed most of the portfolio restructuring to happen without triggering immediate dispositions. By the time the review was complete, the combined impact of account restructuring, RESP setup and the insurance component was estimated to exceed $9,700 per year — without changing a single investment they owned.

THE OUTCOME

The combined impact was estimated to exceed **$9,700 per year** in tax savings and government grants — without changing a single investment Ken and Sandra owned.

05 Five takeaways for retirees with multiple accounts

1. **Where you hold matters as much as what you hold.**
   Account placement is a tax lever most families have never deliberately pulled — and it costs nothing to optimise.
2. **Interest income is the most expensive to hold outside registered accounts.**
   Sheltering bonds and GICs inside an RRSP or RRIF is almost always the first priority.
3. **US equities belong in your RRSP or RRIF, not your TFSA.**
   The Canada-US treaty eliminates withholding tax in an RRSP — but not in a TFSA.
4. **RESPs are free money for grandparents.**
   The federal CESG adds $500 per grandchild per year. Unclaimed grants add up fast.
5. **No account should be reviewed in isolation.**
   The real tax picture only emerges when all accounts are assessed together, with a coordinated household plan.

06 How Cochrane Wealth Management can help

Tax-efficient account structuring is not a one-time exercise. As tax rates change, accounts grow, and family situations evolve, the optimal placement of assets changes too. A comprehensive review of how your investments are allocated across all account types is one of the most direct ways to improve after-tax returns without taking on additional risk. If you have never had a full account-structure review, it may be the most valuable conversation you have this year.

Start the conversation

We work alongside your accountant and tax advisor to review every account together — RRSP, RRIF, TFSA, non-registered, RESP — and build a coordinated plan that puts each investment where it works hardest after tax. One review. Multiple accounts. A measurable difference.