

Mini Case Study: Understanding Coverage Limits

At CIPF, clients are covered up to \$1 million for all **General Accounts** combined and up to \$1 million for **each type of Separate Account** combined.

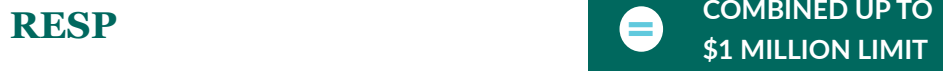
EXAMPLE OF GENERAL ACCOUNTS



EXAMPLE OF A TYPE OF SEPARATE ACCOUNT: REGISTERED RETIREMENT PLANS



EXAMPLE OF A TYPE OF SEPARATE ACCOUNT: REGISTERED EDUCATION SAVINGS PLANS



Let's look at a real-life scenario to better understand how Coverage Limits work at CIPF.
Scenario: Alix and Jordan have accounts held at Member Y, who is a CIPF member firm.

Alix's accounts at Member Y:

- Cash Account \$150,000
- RRIF \$250,000
- RESP \$65,000

Jordan's accounts at Member Y:

- Margin Account \$460,000
- RRSP \$520,000
- RRIF \$200,000
- RESP \$30,000



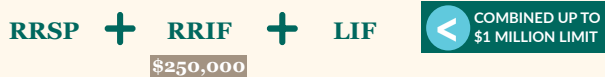
1 What are the coverage limits for Alix and Jordan respectively?

Alix

GENERAL ACCOUNTS



SEPARATE ACCOUNT: REGISTERED RETIREMENT PLANS



SEPARATE ACCOUNT: REGISTERED EDUCATION SAVINGS PLANS



Jordan

GENERAL ACCOUNTS



SEPARATE ACCOUNT: REGISTERED RETIREMENT PLANS



SEPARATE ACCOUNT: REGISTERED EDUCATION SAVINGS PLANS



Alix and Jordan are fully covered in this scenario.



In this scenario, Alix and Jordan have a **JOINT ACCOUNT** of \$1.5 million. How would this impact their coverage?

In a joint account, all owners have an equal interest, unless there is evidence in writing to the contrary. Therefore, in this scenario, **each person has a proportionate interest of \$750,000**. Each person will have CIPF protection for their interest in the joint account, combined with their general accounts, up to \$1 million.

Alix's accounts at Member Y:

- Cash Account \$150,000
- Alix's share of the Joint Account \$750,000
- RRIF \$250,000
- RESP \$65,000

Jordan's accounts at Member Y:

- Margin Account \$460,000
- Jordan's share of Joint Account \$750,000
- RRSP \$520,000
- RRIF \$200,000
- RESP \$30,000

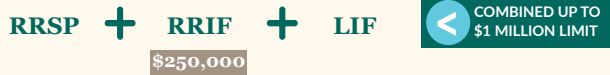


Alix

GENERAL ACCOUNTS



SEPARATE ACCOUNT: REGISTERED RETIREMENT PLANS

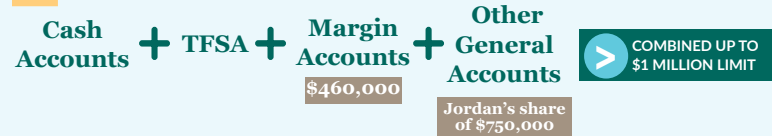


SEPARATE ACCOUNT: REGISTERED EDUCATION SAVINGS PLANS



Jordan

GENERAL ACCOUNTS



SEPARATE ACCOUNT: REGISTERED RETIREMENT PLANS



SEPARATE ACCOUNT: REGISTERED EDUCATION SAVINGS PLANS



Jordan is above the \$1 million coverage limit in their General Accounts. Should Jordan be worried?

> COMBINED UP TO \$1 MILLION LIMIT

CIPF covers missing property - this is property held by a member firm on behalf of a client that is **not returned to the client** following the firm's insolvency. **Therefore, even accounts larger than \$1 million may still be fully protected.**

CIPF Top Facts At-A-Glance, specifically, Fact #4 illustrates how CIPF coverage works in an insolvency. Please refer to it [here](#).

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Jordan is the sole shareholder of Company Z, which is in the business of managing investments. Does Company Z get its separate coverage?

A corporation holding an account with a member firm is generally considered to be separate from its owners for purposes of determining the limit on CIPF protection.

The limit on CIPF protection for corporations is generally \$1 million for all accounts combined.



Cash Accounts + Margin Accounts + Other General Accounts

COMBINED UP TO \$1 MILLION LIMIT

Company Z



But There Are Exceptions...

There are exceptions to this general rule for certain types of personal holding corporations (PHCs). In certain cases where an **individual has a controlling interest in a PHC**, the accounts held by the entity are not considered distinct from the owner's personal accounts. As such, the owner's interest in these accounts is included in their \$1 million limit for **combined general account coverage**.



Company Z



Jordan

the sole Shareholder of Company Z



If an individual has a controlling interest in a PHC, the accounts held by the entity are not considered distinct from the owner's personal accounts.



Jordan's Accounts (Given Personal Holding Corporation)

Cash Accounts + TFSA + Margin Accounts + Other General Accounts

COMBINED UP TO \$1 MILLION LIMIT

\$460,000

Jordan's share of Joint Account \$750,000

PHC \$200,000