



RRSP

REGISTERED RETIREMENT SAVINGS PLAN

The tax-efficient path to your retirement goals.

THE BASICS

What you need to know about RRSPs

Tax-advantaged investment growth

With an RRSP, you can deduct the amounts you contribute to your (or your spouse's) plan from your taxable income, reducing your taxes for the year. Plus, no tax is paid on the investment income, dividends or capital gains generated by holdings within your RRSP.

While the withdrawals you make from your RRSP in retirement are taxable, you may by that time be in a lower tax bracket, resulting in additional tax savings.

Compounded growth

The earlier you start saving and the longer you contribute to your RRSP, the more your money is likely to grow, as the following hypothetical example illustrates.

An RRSP gives you the benefit of tax-deferred, compounded growth on your savings.

Investor 1	Investor 2	Investor 3
Invests \$1,000 a year from age 18 to 27 (10 years)	Invests \$1,000 a year from age 41 to 65 (25 years)	Invests \$1,000 a year from age 18 to 65 (48 years)
Value at age 65: \$291,402	Value at age 65: \$78,954	Value at age 65: \$529,343

The above examples assume an 8% yearly rate of return and a \$1,000 contribution at the start of each year. Investment growth and final results do not reflect transaction-related taxes, fees and expenses. These investment assumptions are provided as an example only. In no way do they guarantee the yield of an investment. The actual yearly rate of return and the investment value may vary based on market conditions.

Contribution limit

There is a limit on how much you're allowed to contribute to your RRSP each year. As of 2024, it's 18% of your prior year's earned income up to a maximum of \$31,560, less your pension adjustment (PA) and past service pension adjustment (PSPA). Importantly, contributions made in the first two months of the year can be declared for either the current or previous tax year, depending on available room.

Age limit

The year you turn 71 is the final year you can contribute to your RRSP. If you and your partner share a Spousal RRSP, you can contribute until the year your spouse turns 71.

Three types of RRSPs

- 1** An **Individual RRSP** is registered in the name of the contributor who pays into the plan and uses contributions to reduce personal income taxes.
- 2** A **Spousal RRSP** assists couples with unequal savings or income by allowing them to shift retirement savings from the spouse with the higher income and tax rate to the one with the lower income and tax rate.
- 3** A **Group RRSP**, offered by many employers, is a grouping of personal RRSPs administered on behalf of employees. Contributions are deducted from each paycheque, with employers often matching employee contributions.

Questions and answers about RRSPs

1 How much should I contribute to my RRSP?

While there's no hard and fast rule, contributing about 12% of your pre-tax income each year is recommended, up to a maximum of 18%. The goal should be to contribute enough so that when you retire, you can maintain the same lifestyle you enjoyed while you were working.

2 If I don't use my full contribution room in a given year, do I lose it?

No. If you don't maximize your contributions, you can carry forward any unused deduction room indefinitely. Your carry forward amount is noted on your Notice of Assessment from Canada Revenue Agency.

3 What happens if I overcontribute to my RRSP?

In general, there is a tax of 1% per month on overcontributions that exceed your RRSP deduction limit by more than \$2,000. Your advisor can help ensure you stay within the prescribed limit.

4 What happens to my RRSP when I retire?

No later than the year you turn 71, you must convert your RRSP into a source of retirement income. For most people, this means moving their RRSP savings into a Registered Retirement Income Fund (RRIF), which is a registered account with a minimum annual withdrawal requirement that's set by the government. You can also buy an annuity or take a lump-sum cash payment, but the latter could result in a significant tax hit. Your advisor can help you make the right choice for your personal circumstances when you get closer to your target retirement age.

5 Can I use my RRSP for something other than my retirement?

Yes. You can withdraw up to \$60,000 tax free through the Home Buyers' Plan (HBP) for a down payment on your first home. You can also withdraw up to \$10,000 tax free per year through the Lifelong Learning Plan to finance full-time training or education for you, your spouse or common-law partner. In both cases, the borrowed funds must be repaid to your RRSP account within a given period of time.

An RRSP can contain a variety of investment products, including mutual funds, stocks, bonds and exchange-traded funds.

\$56.1 billion — the amount Canadians contributed to their RRSP accounts in 2021.¹

\$3,890 — the median RRSP contribution in 2021.¹

\$1.229 trillion — the total value of assets in RRSP accounts in 2020.²

¹Statistics Canada. Registered retirement savings plan contributions, 2021:
<https://www150.statcan.gc.ca/n1/daily-quotidien/230317/dq230317e-eng.pdf>

²Investor Economics Household Balance Sheet 2021.

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