






RRSP

REGISTERED RETIREMENT SAVINGS PLAN


What is an RRSP?

A registered savings account with the Government of Canada that allows you to save towards your retirement. Within this account you can invest in stocks, bonds, mutual funds, etc.

Opening an Account & Putting Money In:

-  Make an appointment at a financial institution, credit union, or insurance company.
 -  Open a self-directed account (buy/sell your own investments with lower fees) or managed account (have someone else in control of your investments with higher fees).
 -  Make sure to ask if there are any administration fees associated with the account as they're not always disclosed.
 -  Contribute to your RRSP through an automatic direct deposit from a bank account or create a new "bill" using your RRSP account number through your online banking.
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Must have previously filed an income tax return



Must be 14+

+ **SIN #**

Must have a SIN Number

Contribution Limit Room / Deduction Limit:

How much money can I contribute each year?



Your annual limit room changes every year. A good general rule of thumb is the lesser of:

- 18% of your earned income from the previous year.
- The annual RRSP limit (2016's annual limit is \$25,370).

Plus:

- Any unused contributions from previous years are carried forward.

Hot tip: Make sure you don't deposit more than the maximum amount as you are subject to a 1%/month tax on any amount you over contribute.

Not sure how much money you can contribute?

-  Contacting TIPS (Tax Information Phone Service) at 1-800-267-6999
-  Logging into your account on the CRA's (Canada Revenue Agency) website or mobile app

Withdrawing Funds:

You'll need to convert your RRSP to a RRIF (Registered Retirement Income Fund) when you retire. This money is used as your retirement income, and is taxed when you withdraw it.

Prior to retirement there are 2 ways to withdraw without paying taxes.



Home Buyer's Plan(HBP)



As a first time homebuyer you can withdraw up to \$25,000 to buy or build your first home. You have up to 15 years to repay the full amount back into your RRSP without paying any tax on the initial withdrawal.

Lifelong Learning Plan(LLP)



You can pay for full-time training/education by withdrawing up to \$10,000/year, or up to \$20,000 in total, each time you or your spouse/common law partner want to participate in the LLP. You have to pay at least 10% of the withdrawal per year for up to ten years. This cannot be used for your children's education.

Fun Facts:



The money that you contribute to your RRSP is deductible from your taxable income.



Investments are able to grow tax-free within the RRSP account.



Deadline to contribute for the purpose of claiming your 2016 tax deduction.



You don't have to deduct your RRSP contribution on your tax return in the same year that you made the contribution. You can hold off and deduct it in a future year if you think you will be making more money down the road.



You can open a spousal/common-law partner RRSP that allows your income to be more evenly divided. If one partner earns more income, they can contribute money to their spouse's RRSP to reduce their taxable income.

Example:
In 2016, you made \$40,000 and contributed \$3,000 to your RRSP. When you file your 2016 taxes, you can claim that \$3,000 as a deduction, and can calculate your income as if you made \$37,000. This reduces the amount of tax you owe, and can sometimes bump you into a lower tax bracket (which may save you a ton of money)