

Ways to Maximize your RRSP

CPABC RRSP & Tax Tips

“ If you are carrying high-interest debt you should consider reducing your debt load instead of contributing to your RRSP.



WHY SHOULD I CONTRIBUTE TO AN RRSP?

If you earned and paid Canadian taxes on your income in the 2019 tax year, you can contribute to an RRSP. By contributing to your RRSP, you may benefit from income tax savings.

If your taxable income is:

\$12,069 - \$47,630	\$47,631 - \$95,259	\$95,260 - \$147,667	\$147,668 - \$210,371	\$210,372+
A \$1,000 RRSP contribution would reduce your 2019 taxes by...				
Up to \$227	-\$227 to \$328	-\$328 to \$407	-\$407 to \$458	-\$458 to \$498



HOW MUCH CAN I CONTRIBUTE?

Your RRSP deduction limit can be found on your 2018 Notice of Assessment. Remember, for the 2019 tax year, the RRSP contribution deadline is March 2, 2020.

Unused RRSP amount
+ 18% of 2018 income - pension adjustment
= 2019 RRSP limit (maximum \$26,500)



“ Build your savings faster by making contributions early in the year to take advantage of compounding income.



WHEN IS A GOOD TIME TO USE A SPOUSAL RRSP?

Spousal RRSPs can help shift future income from a higher income spouse to a lower income spouse, which could result in tax savings.



“ You may be able to split your eligible pension income with your spouse to reduce your overall taxable income.



CAN I WITHDRAW FROM MY RRSP BEFORE I RETIRE?

Yes, you can. However, withdrawals from your RRSP will be added to your taxable income and you will lose that contribution room, with two exceptions:



1 Lifelong Learning Plan (LLP)

The LLP lets you withdraw amounts from your RRSP to finance full-time training or education for you or your spouse or common-law partner.



2 Home Buyers Plan (HBP)

If you are a first-time homebuyer, you can borrow up to \$35,000 from your RRSPs to purchase your principal residence.



WILL MY RRSP BENEFICIARY HAVE TO PAY ANY TAXES?

Tax on transferring your RRSP funds to your beneficiary may be deferred if the individual is your:

- spouse or common-law partner;
- financially dependent children or grandchildren under the age of 18;
- financially dependent mentally or physically infirm children or grandchildren of any age

“ You can contribute until December 31 of the year you turn 71; assuming you have earned income and paid income taxes.



You can transfer certain types of payments to an RRSP or from one registered RRSP plan to another. Ask your financial institution to transfer funds directly to avoid tax penalties.

For more RRSP & Tax Tips, please visit:
www.rrspandtaxtips.com

Tax rules relating to these tips are complex. This is not intended as tax advice and you should not make tax decisions based solely on the information presented in these tips. You should seek the advice of a CPA or other professionals before implementing a tax plan or taking a tax filing position.