

FAQs about RRSPs



What is an RRSP?

- A Registered Retirement Savings Plan is a personal savings plan registered with the Canadian federal government, allowing you to save tax-sheltered funds.
- An RRSP portfolio can contain a variety of investments, including: RRSP savings deposits, treasury bills, GICs, mutual funds, bonds, and even equities.

What are the benefits of an RRSP?

- Immediate tax credit
- Tax-sheltered savings
- RRSP savings are not taxed until withdrawn—if you're in a lower tax bracket when you withdraw than when you invested, you'll be taxed at the lower rate.

What types of RRSPs are there?

- Individual RRSP (registered to contributor).
- Spousal RRSP (registered to your spouse, but your contributions do not affect the contribution limits of the spouse).
- Group RRSP (collection of individual RRSPs offered to employees by an employer).
- Self-Directed RRSP (self-managed RRSP portfolio).

How much income do I need to retire?

- You need to ask yourself what kind of retirement you want. Do you want to travel? Will you work part-time? Will you volunteer? Do you want to retire early, or retire late? Did you plan for 30 years of retirement?
- This will determine how much you need to retire.

How often should I contribute?

- This will depend on each individual; however putting your money to work sooner is better.
- Setting up pre-authorized payments can be an easy way to make saving manageable and have your investment growing sooner.

How much can I contribute?

- Your allowable RRSP contribution for the current year is the lower of 18% of your earned income from the previous year or the maximum contribution limit for the taxation year.
- You can contribute to your RRSP until December 31st of the year you turn 71.

When is the contribution deadline?

- To view this year's contribution deadline, visit: <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/rrsp-reer/dts-eng.html>

Can I carry-forward unused contribution room?

- Yes. Your unused contribution room is shown on your federal Notice of Assessment.

Can I over-contribute to my plan?

- Generally, you have to pay a tax rate of 1% per month on your unused contributions that exceed your RRSP deduction limit by more than \$2,000.
- Always seek advice from a qualified expert before making any over-contributions to your plan.

What if I have a Company Pension Plan or Deferred Profit Sharing Plan?

- The amount you can contribute must be reduced by the total value of the pension credits you earned for the year.
- You must transfer certain payments directly to ensure that these funds are transferred tax-free. Be sure to ask the payer to transfer them directly to avoid needing to claim as income.

Can I transfer my RRSPs?

- You are not subject to tax at any time you wish to transfer RRSPs between financial institutions or between investments within your RRSP portfolio.

Can I withdraw funds from my RRSP?

- Funds withdrawn from an RRSP will be charged withholding taxes. In all provinces except Quebec, a 10% tax rate is applied for withdrawals up to \$5,000, 20% for more than \$5,000 to \$15,000 and 30% for more than \$15,000.

What is an RRIF?

- A Registered Retirement Income Fund (RRIF) is an extension of your RRSP. A RRIF is used to withdraw income during your retirement while still allowing for tax-deferred growth. With a RRIF you cannot make annual contributions, and you must make a minimum withdrawal each year.

Contact a credit union professional for more information on any of these topics.