



## RRSP QUICK TIPS

### QUICK TIP #1 – CONTRIBUTE EARLY TO MAXIMIZE YOUR RRSP

You have until Monday, February 29, 2016 to make your 2015 Registered Retirement Savings Plan (RRSP) contribution. But remember to contribute early to avoid the last-minute rush. Contributing early can also boost your RRSP's growth over time, as your RRSP assets will have more time to benefit from tax-deferred compound growth.

#### DETERMINING YOUR AVAILABLE CONTRIBUTION ROOM FOR 2015

1. Start with 18% of your 2014 earned income, or \$24,930 (whichever is less).
2. Subtract any Pension Adjustment appearing on your 2014 T4 tax slip.
3. Add any unused RRSP contribution room carried forward from previous years.

You can also check your latest Notice of Assessment, Notice of Reassessment or RRSP Deduction Limit Statement (Form T1028), or log on to your Canada Revenue Agency account at [www.cra-arc.gc.ca/myaccount](http://www.cra-arc.gc.ca/myaccount).

### MAKING YOUR 2016 TAX YEAR CONTRIBUTION

You can start making RRSP contributions for the 2016 tax year as early as January 1, 2016 (March 1, 2017 is the deadline). The contribution limit is rising to \$25,370 for 2016.

### QUICK TIP #2 – MAXIMIZE THE TAX ADVANTAGES

#### TAX-DEDUCTIBLE CONTRIBUTIONS

You can claim your 2015 RRSP contribution as a deduction on your 2015 Income Tax Return to reduce your taxable income and potentially receive a tax refund. It may make sense to wait to claim the deduction if you expect your taxable income to be higher in a future year, as you may receive greater tax savings. You can also claim deductions for contributions made in any previous year since 1991 if you have not claimed them previously.

#### TAX-DEFERRED GROWTH

You can earn investment income within your RRSP on a tax-deferred basis, meaning you don't pay any tax on the income until it is eventually withdrawn – for example, when you convert your RRSP into a Registered

Retirement Income Fund (RRIF) and start to withdraw income. This results in greater growth compared to earning investment income in a regular taxable account.

#### INCOME-SPLITTING WITH A SPOUSAL RRSP

If you expect your spouse to have a significantly lower retirement income than you, consider directing some or all of your allowable RRSP contribution to a spousal RRSP. You can still claim the tax deduction yourself, reducing your taxes now. Your spouse will receive income from the spousal RRSP when it is withdrawn, which will help even out your retirement incomes and put you both in a similar tax bracket, potentially reducing your taxes during retirement.

You can allocate a maximum of 50% of your qualifying pension income to your spouse, so it may still make sense to contribute to a spousal RRSP if:

- You are not able to achieve optimum results from income splitting; and
- You and your spouse retire prior to age 65 and require income above and beyond available fixed sources.



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#### **AVOID MAKING WITHDRAWALS**

Unless absolutely necessary, avoid making withdrawals from your RRSP as the entire amount you withdraw will be added to your taxable income. Two exceptions – the Home Buyers' Plan and Lifelong Learning Plan – enable you to withdraw certain amounts that you must eventually repay.

#### **NAME A BENEFICIARY**

If you have named your spouse or a financially dependent child or grandchild as the beneficiary of your RRSP on your plan documentation or in your Will, your RRSP assets can be transferred to them on a tax-deferred basis. Note that a beneficiary cannot be named on the plan documentation if you are a resident of Quebec.

#### **CONSIDER INSURANCE TO COVER TAXES**

If you designate anyone other than your spouse or financially dependent child or grandchild as the beneficiary of your RRSP, your RRSP will be deregistered on your death and the value of your RRSP at death may be included in your terminal tax return. As the amount will be taxed all at once at your marginal tax rate, many people take out an insurance policy to cover the taxes. Speak to an

insurance representative to determine whether this approach makes sense for you.

#### **QUICK TIP #3 – MAKE THE MOST OF YOUR RRSP CHOICES**

With a self-directed RRSP held at a full-service investment firm like RBC Dominion Securities, you can invest in a wide range of investments, from T-bills, GICs and bonds to equities, certain stock options and mutual funds. This gives you greater control over how your RRSP is managed.

#### **CONSIDER GLOBAL DIVERSIFICATION TO POTENTIALLY REDUCE RISK**

There is no limit on the amount of foreign content you can hold in your RRSP (including U.S. securities). This helps you to diversify, which is a proven risk-reduction strategy.

#### **REDUCE COSTS WHEN TRADING U.S. SECURITIES**

You can contribute, buy, hold and settle in U.S. or Canadian dollars in your RRSP. This gives you greater control over when you convert between U.S. and Canadian currencies, so you may be able to reduce the impact of unfavourable exchange rates and save on currency conversion costs.

#### **QUICK TIP #4 – REMEMBER THE FINAL CONTRIBUTIONS**

##### **YOUR FINAL CONTRIBUTIONS**

You can contribute to your own RRSP until December 31 of the year you turn 71, at which time your RRSP must be converted into a retirement income source such as a RRIE. If you have a younger spouse and are still earning income, you can continue contributing to their spousal RRSP until they turn 71.

##### **THE “BONUS” CONTRIBUTION**

You can make a cumulative lifetime excess contribution of \$2,000 without penalty over the life of your RRSP. After that, there is a 1% per month penalty on any amount you over-contribute.

#### **QUICK TIP #5 – CONSOLIDATE ON A TAX-DEFERRED BASIS**

You can transfer certain amounts above and beyond your allowable contribution limit to your RRSP on a tax-deferred basis:

- Amounts in any other RRSPs
- Some or all of a lump-sum “retiring allowance” received as part of a severance or retirement package

*Please contact us for assistance with your RRSP.*

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