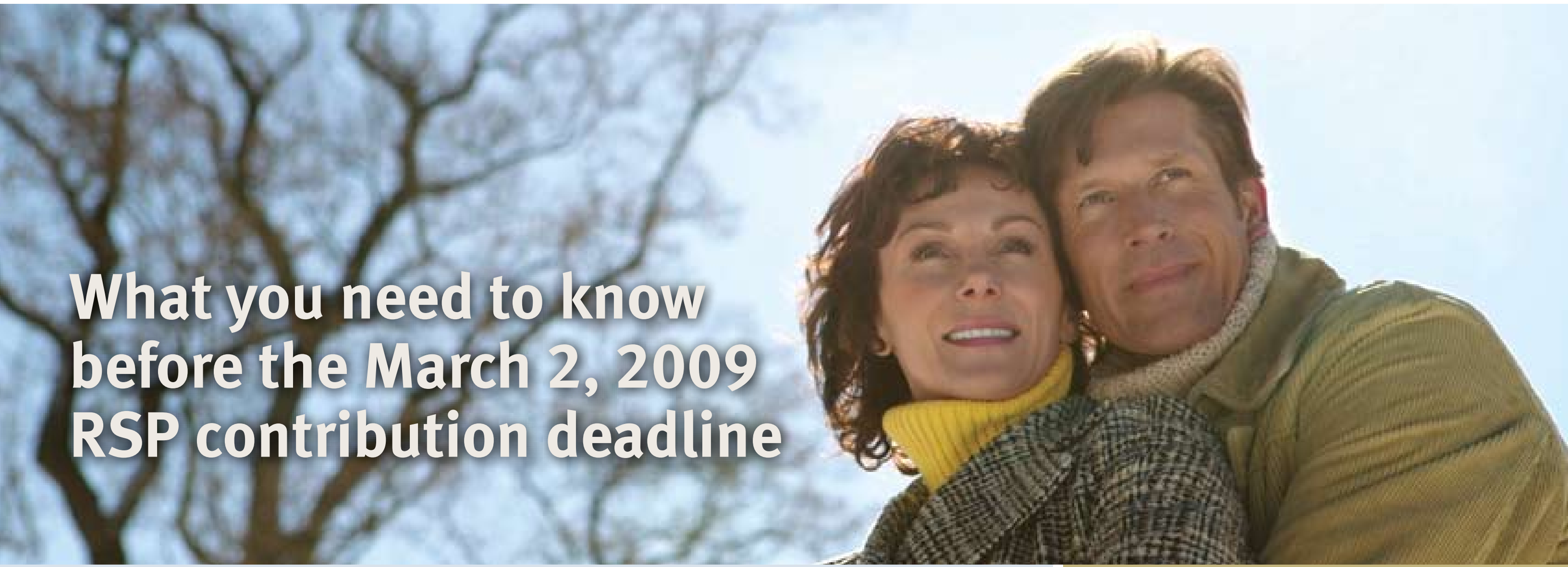
RSPQuickTips



RSP CONTRIBUTION LIMITS

If you are not a member of a pension plan, you can contribute up to 18% of your earned income from the previous year within the limits outlined below:

Year	Maximum RSP contribution room
2008	$20,000
2009	$21,000
2010	$22,000
After 2010	Indexed

If you are a member of a pension plan, your contribution limit is the same as for non-members, except it is reduced by the pension adjustment from the previous year's T4 slip.

When planning your next RSP contribution, bear in mind that the maximum amount you can contribute has gone up. The deadline for your 2008 RSP contribution is March 2, 2009.

CLAIMING TAX DEDUCTIONS

On your income tax return, you can deduct your allowable RSP contributions from your total income, effectively reducing your tax payable. How much you save depends on your marginal tax rate, as shown in the following table:

Marginal tax rate	RSP contribution	Tax saved
25%	$1,000	$250
40%	$1,000	$400
45%	$1,000	$450

UNUSED CONTRIBUTION ROOM

If you do not make your maximum annual contribution to your RSP, you can carry forward the "unused portion" and contribute in future years. Contributions must be made no later than the year in which you or your spouse turn 71. ▶

RSP checklist

- ✓ Start saving early to build a larger RSP over time
- ✓ Maximize your contributions every year
- ✓ Contribute earlier in the year to maximize growth
- ✓ Consider contributing to a spousal RSP
- ✓ Determine how much you will need to achieve your retirement goals

CARRY FORWARD RULES

While it is smart to make your RSP contribution each year, you may choose to delay claiming the tax deduction until a future tax year. This strategy is worthwhile if your marginal tax rate is expected to be higher in a future year. Although the tax savings are delayed, the contribution is growing on a tax-deferred basis. Be careful not to over-contribute to your RSP.

EXTRA CONTRIBUTIONS

If you were at least 18 in the previous year, you are able to make a lifetime excess contribution of up to $2,000 without penalty. Any contributions in excess of the $2,000 over-contribution limit must be removed to minimize the impact of the 1% per month penalty.

TRANSFERS INTO AN RSP

Retiring allowance

Often, when an employee is offered a retirement or severance package, the employer will include a lump-sum payment classified as a "retiring allowance." It is often possible to transfer or "roll over" at least a portion of this payment to an RSP.

Lump-sum transfers from a pension plan

You can transfer the accumulated benefit from your employer's Registered Pension Plan to a locked-in RSP (in certain circumstances). Generally, this option is only allowed upon the termination of employment, or upon revisions or "wind up" of a pension plan.

INCOME-SPLITTING

From the age of 65, an RSP can be converted into a Retirement Income Fund (RIF) to provide withdrawals that may be considered as eligible pension income. Up to 50% of eligible pension income can be split with a spouse. This has the potential to move both spouses towards similar tax brackets, potentially reducing their combined taxes. A couple paying taxes at similar tax rates typically pays less tax compared to a couple paying taxes at one higher and one lower rate.

SPOUSAL RSP

Even if you intend to split your RIF income using the pension income splitting rules, a spousal RSP can still be useful. This would be the case if the contributing spouse has a higher expected taxable income in retirement as there is no 50% limit on income splitting with a spousal RSP.

Making contributions

You can contribute all or part of your allowed annual RSP contribution to a spousal RSP and claim it on your tax return. You can continue contributing to a spousal RSP even if you are older than age 71, if you have earned income and your spouse is age 71 or under.

Income attribution rules

If there are any withdrawals from a spousal RSP, the withdrawal is taxed in the hands of the non-annuitant spouse to the extent of their spousal RSP contributions made in the year of withdrawal or two previous calendar years to any spousal RSP account.

Planning your next contribution

2008 contribution deadline:
› March 2, 2009

Increased contribution limit for 2008:
› 18% of your 2007 earned income to a maximum of $20,000, minus any 2007 pension adjustment appearing on your 2007 T4 tax slip

Available RSP contribution room:
› Check your most recent Notice of Assessment from the Canada Revenue Agency or log in to "My Account" at www.cra-arc.gc.ca

RSPs: three key advantages

1) **Potential tax savings.** Contributions to an RSP are tax deductible within certain limits.

2) **Tax-deferred growth.** All income earned within an RSP accumulates tax-deferred until it is withdrawn, resulting in faster growth.

3) **Income splitting.** When you convert your RSP into a RIF, withdrawals may be considered as eligible pension income. If this is the case, up to 50% of that income can now be split your spouse, potentially reducing your combined taxes. You can also use a spousal RSP to split income.

› Please contact your Investment Advisor for more information about investing in your RSP.

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