

# THE NAVIGATOR

## RRSP DEDUCTION LIMIT STATEMENT

### Understanding and interpreting your Notice of Assessment

The following article outlines how to interpret your “RRSP Deduction Limit Statement” to determine the amount you can contribute to your RRSP, how much you can deduct on your income tax return and whether you are in an over-contribution position. It also includes a section on how to obtain the RRSP deduction limit and other personal information online. This article is for information only and should not be construed as offering tax or legal advice.

#### THE RRSP DEDUCTION LIMIT STATEMENT

Your RRSP Deduction Limit Statement is part of your Notice of Assessment which you receive every year from the Canada Revenue Agency (“CRA”)

after filing your income tax return for the previous year. To determine how much you are entitled to contribute to your RRSP for the 2013 tax year, how much you can deduct on your 2013 income tax return and whether you

are in an over-contribution position in 2013, you need to refer to your “2013 RRSP Deduction Limit Statement” which is attached to your “2012 Notice of Assessment”. Key areas have been highlighted in this example:

#### 2013 RRSP Deduction Limit Statement

The back of this notice contains important information. Amounts marked with an asterisk (\*) cannot be less than zero.

RRSP deduction limit for 2012.....	\$20,007
<b>Minus:</b> Allowable RRSP contributions deducted in 2012 .....	<u>\$11,007</u>
Unused RRSP deduction limit at the end of 2012 .....	\$ 9,000
<b>Plus:</b> 18% of 2012 earned income of \$148,000 = (max. \$23,820) ..	\$23,820
<b>Minus:</b> 2012 pension adjustment .....	\$13,200
	<u>\$10,620*</u>
	\$19,620
<b>Minus:</b> 2013 net past service pension adjustment.....	\$ 0
<b>Plus:</b> 2013 pension adjustment reversal .....	\$ 2,300
Your RRSP deduction limit for 2013 .....	<u>\$21,920 (A)</u>

You have \$3,500 (B) of unused RRSP contributions available for 2013. If this amount is more than amount (A) above, you may have to pay a tax on the excess contributions.



RBC Wealth Management

## HOW MUCH CAN I CONTRIBUTE TO MY RRSP?

**The maximum amount which you can contribute to your RRSP is equal to (A) – (B) + \$2,000 where:**

- **(A)** is your RRSP deduction limit for 2013 (see sample statement on the first page);
- **(B)** is your unused RRSP contributions. “Unused contributions” are RRSP contributions you have made in a previous year, but have not yet deducted on your income tax return (see sample statement).
- **\$2,000** is the allowable amount of over-contribution you can make without being subject to an over-contribution penalty.

Using the sample statement as an example, this individual could contribute \$20,420 to their own RRSP or to a spousal plan during 2013 or by the 2013 RRSP deadline of March 3, 2014. This is calculated as follows:

$(A) - (B) + \$2,000$  or

$\$21,920 - \$3,500 + \$2,000 = \$20,420$

Keep in mind that the additional \$2,000 over-contribution amount would not be tax-deductible. The \$2,000 can be deducted in a future year as long as it is within that year's RRSP deduction limit.

If the individual does not want to make use of the \$2,000 of allowable over-contribution amount, he or she could simply contribute \$18,420 (which is  $(A) - (B)$ ).

## WHAT ARE UNUSED RRSP CONTRIBUTIONS OR “(B)” IN THE STATEMENT?

Unused contributions may also be referred to as “undeducted

contributions”. It is called this because if (B) is greater than zero, then this means that you made RRSP contributions in a previous year (or years) and **did not** deduct them on your income tax return. You may have chosen not to deduct them because your taxable income was low in the particular year or you expected your income to rise significantly in a future year. However if “(B)” is zero then it means you have already deducted all the contributions you have made in past years. It is also possible that you did not deduct the contributions because you did not have sufficient RRSP deduction room. This would imply you had over-contributed to your RRSP. (See below under “Have I over-contributed to my RRSP”.)

In our example above, (B) is equal to \$3,500. This implies that the individual made \$3,500 in RRSP contributions in a previous year (or years) that were not deducted for income tax purposes.

## HOW MUCH CAN I DEDUCT ON MY TAX RETURN?

**“(A)” is your “RRSP deduction limit for 2013”. It is also the maximum amount of contributions you can deduct on your 2013 income tax return.**

The amount you can deduct on your income tax return “(A)” may be greater than the amount you can contribute, if you have unused contributions; i.e., “(B)”. This is because you can deduct both prior years' contributions “(B)” and your current year's contributions on your 2013 income tax return. Refer to the sample statement on the first page of this article. Without making any further contributions during 2013 (or by the 2013 RRSP deadline of March 3, 2014) this individual can deduct

\$3,500 of unused RRSP contributions (“undeducted contributions”) on his 2013 income tax return. Assuming this individual wants to maximize his RRSPs and makes the additional \$18,420 RRSP contribution he is entitled to make, he will be able to deduct a total of \$21,920 on his 2013 return or (A) in the statement. However, if this individual decides to also make the additional \$2,000 over-contribution amount, this amount will not be deductible on his 2013 tax return.

## HAVE I OVER-CONTRIBUTED TO MY RRSP?

**If  $(B) - (A) > \$0$ , then you have over-contributed to your RRSP. If  $(B) - (A)$  is  $> 0$  but  $< \$2,000$ , then you are within the allowable over-contribution limit.**

You are allowed to over-contribute a cumulative lifetime total of \$2,000 to your RRSP without incurring a penalty. You are not allowed to deduct this overcontribution until you have accumulated deduction room in a future year. The \$2,000 will grow tax-deferred inside of your RRSP.

Don't forget that all contributions that you have made after March 1, 2013 up to the RRSP contribution deadline may not be reflected in your statement for 2013\* and may create an over-contribution amount in excess of \$2,000 for 2013. Any over-contribution in excess of \$2,000 is subject to a penalty.

If  $(B) - (A)$  is  $> \$2,000$  then you have over-contributed to your RRSP for 2012 and over-contributions in excess of \$2,000 are subject to a 1% per month over-contribution penalty calculated from the month you first

If you are unable to locate your NOA, you can still find out your RRSP contribution room by contacting the CRA directly (1-800-959-8281), or visit the “My Account” page of the CRA web site.

exceeded your contribution limit until you have new contribution room available to absorb the \$2,000 overcontribution, which usually occurs on January 1st of the following year, or until you have removed the excess. Again, all contributions you have made after March 1, 2013 may not be reflected in your RRSP statement for 2013\* and may also be subject to the 1% per month over-contribution penalty.

\*Note that any RRSP contributions you made during the first 60 days of 2013 should have been reported on schedule 7 of your 2012 income tax return even if you did not deduct them. If you properly reported these contributions on your schedule 7 and did not deduct them on your 2012 income tax return, then the CRA would report these in “(B)”. Any amount contributed after March 1, 2013 would certainly not be reflected in your 2013 RRSP deduction limit statement. If you are in an over-contribution position in excess of \$2,000 in any year, you will have to file a T1-OVP with the Canada Revenue Agency within 90 days after the end of the tax year (March 31, 2014). You should notify your tax advisor to discuss your options and fill out forms on your behalf.

### **WHAT IF I CANNOT FIND MY NOTICE OF ASSESSMENT?**

If you are unable to locate your NOA, you can still find out your RRSP contribution room by contacting the CRA directly (1-800-959-8281), or visit the “My Account” page of the CRA website: <http://www.cra-arc.gc.ca/esrvc-srvce/tx/ndvdl/mysccnt/menu-eng.html>. To access your information, you are required to register for a CRA user ID and password. This entails entering your Social Insurance Number, your date of birth, and the dollar amount entered on a particular line of your income tax return (which will vary) for either the current or previous tax year. It will take between 5 to 10 business days from the date of enrollment to receive your CRA Security code by mail.

Once you receive your CRA Security code you will have access to all the services offered on My Account including your RRSP deduction limit and your unused RRSP contributions for the current year.

CRA also provides the “Quick Access” online service, which can be found at the following page: <http://www.cra-arc.gc.ca/esrvc-srvce/tx/ndvdl/qckccss/menu-eng.html>. Quick Access will allow you to view your tax return status, RRSP deduction limit,

TFSA contribution room, and the status of your benefit payments. This service provides immediate access to your information and requires you to provide the following information to identify yourself: your social insurance number; your date of birth; and the dollar amount entered at line 150 (Total Income) of your most current filed and processed income tax return from the previous two tax years.

### **FIND YOUR RRSP LIMIT AND PERSONAL INFORMATION ONLINE**

In addition to the RRSP deduction limit, you can use the CRA's My Account online service for other personal tax information including:

- The status of your tax returns such as your current year's tax refund and access to your Notice of Assessment or Reassessment;
- Financial information on your account balance, statement of account, payments made upon filing and by instalment;
- Your eligibility for the GST/HST credit, the Canada Child Tax Benefit and the Universal Child Care Benefit including payment dates, amounts and type. This site also contains a link to the Benefits Online Calculator that allows you to estimate your future benefit payments;

Please contact us for more information about the topics discussed in this article.

- Information about your TFSA, RRSP, Home Buyers' Plan, and Lifelong Learning Plan; and
  - A list of your authorized representatives, your address and your telephone numbers.
- address, change your tax and benefit information for the current year and the two prior years, change your marital status, apply for child benefits and authorize a representative and register a formal dispute.

In addition to viewing this information, My Account allows you to change your

This document has been prepared for use by the RBC Wealth Management member companies, RBC Dominion Securities Inc. (RBC DS)\*, RBC Phillips, Hager & North Investment Counsel Inc. (RBC PH&N IC), RBC Global Asset Management Inc. (RBC GAM), Royal Trust Corporation of Canada and The Royal Trust Company (collectively, the "Companies") and their affiliates, RBC Direct Investing Inc. (RBC DI) \*, RBC Wealth Management Financial Services Inc. (RBC WM FS) and Royal Mutual Funds Inc. (RMFI). Each of the Companies, RMFI, RBC WM FS, RBC DI and Royal Bank of Canada are separate corporate entities which are affiliates. \*Members-Canada Investor Protection Fund. "RBC advisor" refers to Private Bankers who are employees of Royal Bank of Canada and licensed representatives of RMFI, Investment Counsellors who are employees of RBC PH&N IC and the private client division of RBC GAM, Senior Trust Advisors and Trust Officers who are employees of The Royal Trust Company or Royal Trust Corporation of Canada, or Investment Advisors who are employees of RBC DS. In Quebec, financial planning services are provided by RMFI or RBC WM FS and each is licensed as a financial services firm in that province. In the rest of Canada, financial planning services are available through RMFI, Royal Trust Corporation of Canada, The Royal Trust Company, or RBC DS. Estate and trust services are provided by Royal Trust Corporation of Canada and The Royal Trust Company. If specific products or services are not offered by one of the Companies or RMFI, clients may request a referral to another RBC partner. The strategies, advice and technical content in this publication are provided for the general guidance and benefit of our clients, based on information believed to be accurate and complete, but we can guarantee its accuracy or completeness. This publication is not intended as nor does it constitute tax or legal advice. Readers should consult a qualified legal, tax or other professional advisor when planning to implement a strategy. This will ensure that their individual circumstances have been considered properly and that action is taken on the latest available information. Interest rates, market conditions, tax rules, and other investment factors are subject to change. This information is not investment advice and should only be used in conjunction with a discussion with your RBC advisor. None of the Companies, RMFI, RBC WM FS, RBC DI, Royal Bank of Canada or any of its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. ® Registered trademark of Royal Bank of Canada. RBC Wealth Management is a registered trademark of Royal Bank of Canada. Used under license. © 2014 Royal Bank of Canada. All rights reserved.

NAV0012-EN (02/2014)