

# RRSP FAST FACTS

A Registered Retirement Savings Plan (RRSP) is a plan that enables you to save money on a tax-deferred basis until you retire – a tax-efficient way to build your retirement savings.

## Will government benefits be enough?

- When you reach 65, the government provides you with a modest pension.\* This income may not be sufficient for many Canadians to live comfortably.

2017 BENEFITS	
Annual average Canada Pension Plan*	\$ 8,221.32
Annual maximum Old Age Security**	\$ 6,942.36
<b>= Total annual income from government sources</b>	<b>\$ 15,163.68</b>

## RRSP withholding tax rates

RRSP WITHDRAWN AMOUNT	All provinces except Quebec	Quebec
Up to \$5,000	10%	21%
\$5,000.01 to \$15,000	20%	26%
Over \$15,000	30%	31%

These rates do not apply to qualifying redemptions for the Home Buyers' Plan or the Lifelong Learning Plan.

Amount withdrawn would be taxed at the taxpayer's personal marginal tax rate when added to their tax return.

## Contributing to an RRSP defers your taxes

- RRSP contributions can defer and potentially lower the amount of income tax you pay.
- Individuals can enjoy immediate tax savings because an RRSP allows you to deduct the amount of the contribution from your net income on your tax return in the year of contribution.
- Later, when you withdraw the money from a RRIF and pay income tax on it, you're likely to be in a lower tax bracket than today.

Marginal tax rate <sup>1</sup>	32%	39%	46%
<b>RRSP contribution</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>
Reduced taxes	\$1,600	\$1,950	\$2,300
<b>Actual cost of contribution<sup>2</sup></b>	<b>\$3,400</b>	<b>\$3,050</b>	<b>\$2,700</b>

\* Source: Service Canada. Average Canada Pension Plan (CPP) retirement pension amount for new beneficiaries as of January 2017 is \$685.11 per month. Note: The amount of your pension will depend on how much and for how long you have contributed to the CPP and on your age when you want your pension to start. If you take it before age 65, your pension will be reduced, by up to 36% at age 60.

\*\* Source: Employment and Social Development Canada. Maximum monthly Old Age Security (OAS) pension for January 2017 is \$578.53 per month, regardless of your marital status. If your individual net income was above \$73,756 for 2016, your monthly OAS pension payment amount will be reduced, beginning in July 2017, to recover the repayment amount owed. If your income is \$119,615 or above, your entire OAS pension will be clawed back.

<sup>1</sup> Source: Canada Revenue Agency; this is a hypothetical example to be used for illustrative purposes only.

<sup>2</sup> Excludes taxes to pay upon withdrawing the money from the RRSP (e.g. RRIF).

## What you need to know

### RRSP CONTRIBUTION DEADLINE

- March 1, 2018 – 11:59 PM (local time)
- Contributions made during the first 60 days of 2018 can be applied against either the 2017 or 2018 taxation year

### CONTRIBUTION LIMIT

- The lesser of \$26,010 (for 2017) or 18% of earned income from your previous tax year, minus any pension adjustments\*, plus unused contribution room from previous years
- To find your contribution limit:
  - See your previous year's Notice of Assessment from the Canada Revenue Agency (CRA)
  - Access your information online using the My Account feature on the CRA website at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)
- If you are unable to maximize your RRSP contribution in a given year, your unused contribution room continues to grow

### ELIGIBILITY

- You can contribute to an RRSP if:
  - you have filed an income tax return the previous year and declared earned income
  - you have Canadian employment or business income or unused contribution room
- You cannot contribute to an RRSP if you're a non-resident or your income consists solely of real estate income, dividends, royalties or capital gains

### AGE LIMITS

- There is no minimum age for contributing to an RRSP.
- If you turn 71 in 2017:
  - By Dec. 31, you must convert your RRSP to a Registered Retirement Income Fund (RRIF) or an annuity or cash it in
  - You can still contribute to your RRSP until Dec. 31, if you have unused contribution room or earned income in 2016 and filed a tax return
- After 71, if you continue to have earned income, you can contribute to a spousal RRSP up until December 31 of the year your spouse or common-law partner turns 71 (subject to contribution room)

### LIFELONG LEARNING PLAN (LLP)

- Use your RRSP to finance full-time training or education for you and/or your spouse or common-law partner
- Withdraw up to \$10,000 in a calendar year up to a \$20,000 maximum per person
- Eligible withdrawals are not added to your income and your RRSP issuer will not withhold tax on the amounts withdrawn
- You must repay these withdrawals within 10 years

### HOME BUYERS' PLAN (HBP)

- Borrow from your RRSP to buy a qualifying first home or a home for a related person with a disability.
- Withdraw up to \$25,000 in a calendar year.\*\*
- Eligible withdrawals are not added to your income and your RRSP issuer will not withhold tax on the amounts withdrawn
- These withdrawals must be paid back within 15 years

\* Pension Adjustment (PA) represents the value of any pension benefits accruing from participation in a registered pension plan or deferred profit-sharing plan. A Past Service Pension Adjustment (PSPA) arises in rare instances when a pension plan has benefits for a post-1989 year of service upgraded retroactively.

\*\* If taxpayer buys the qualifying home with spouse or common-law partner, or with other individuals, each of the buyers can withdraw up to \$25,000, if eligible.

**Call your financial advisor today to discuss ways to contribute regularly to an AGF RRSP.**

**For more information, please refer to the CRA guide T4040, titled RRSPs and Other Registered Plans for Retirement.**

The information contained in this document is designed to provide you with general information related to investment alternatives and strategies and is not intended to be comprehensive investment or tax advice applicable to the circumstances of the individual. We strongly urge you to consult with a financial advisor or tax advisor prior to making any investment decisions. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated.

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