RRSP Fast Facts

AGF SOUND CHOICES

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.

Opening / Contributing to an RRSP

Eligibility

- You will need:
  - A Canadian Social Insurance Number
  - To have filed an income tax return the previous year and declared earned income
  - Canadian employment or business income or unused contribution room

Contribution Deadline

- March 1, 2022
- Contributions made during the first 60 days of 2021 can be applied against either the 2021 or 2022 taxation year

Age Limits

- No minimum age for contributing to an RRSP.
- If you turn 71 this year:
  - 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 last year and filed a tax return

Contribution Limit

- The lesser of $27,830 for 2021 / $29,210 for 2022 and 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
- If you are unable to maximize your RRSP contribution in a given year, your unused contribution room can be "carried forward" to a subsequent year

Over-contributions

- $2,000 lifetime over-contribution limit
- Penalty tax of 1% per month on the amount over the $2,000 limit may apply until withdrawn from the plan

Reducing Taxes Now

- Canadians can enjoy immediate tax savings because an RRSP allows you to deduct from your income on your tax return the amount of the contribution made in the same tax year and/or the first 60 days of the following year.
- RRSP contributions can defer and potentially lower the amount of income tax you pay because, 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.

Example

- $5,000 RRSP contribution made at different marginal tax rates
- The actual cost of the contribution is reduced because of lower taxes.

Marginal tax rate[1]	32%	39%	46%
RRSP contribution	**$5,000**	**$5,000**	**$5,000**
Reduced taxes	$1,600	$1,950	$2,300
Actual cost of contribution[2]	**$3,400**	**$3,050**	**$2,700**

[1] Source: Canada Revenue Agency; this is a hypothetical example to be used for illustrative purposes only.
[2] Excludes taxes to pay upon withdrawing the money from the RRSP (e.g. RRIF).

Spousal RRSP

- Contributor receives a tax deduction, but their spouse or common-law partner is the registered owner (annuitant)
- All or a portion of RRSP contributions can be contributed to an RRSP in a spouse's name.
- The spouse does not need to have earned income or their own contribution room.
- 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)

Withdrawals

With the exception of the First-Time Home Buyers' Plan and the Lifelong Learning Plan, RRSP withdrawals are subject to withholding taxes.

Withholding taxes

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

RRSP withdrawn Amount	All provinces except Quebec	Quebec
Up to $5,000	10%	20%
$5,000.01 to $15,000	20%	25%
Over $15,000	30%	30%

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 $35,000 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 or add the proportionate annual repayment amount to your income

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 or add the proportionate annual repayment amount to your income

Visit AGF.com/RRSP for more information and links to the latest blog posts on retirement saving. Contact your financial advisor to discuss how you can save for your retirement.

* 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 $35,000, if eligible.

Publication date: December 7, 2021.

SOL208 11-21-E

20211207-1940969