




AN RRSP REFRESHER



Any contributions into your RRSP investment account within the first 60 days of a new year can be used to reduce your taxes in either the previous tax year and or the current one. That is why this time period is commonly referred to as 'RRSP Season.'


As we are now in the middle of 'RRSP Season,' here's a quick refresher on some RRSP basics and some things to keep in mind as you prepare to file your income tax return.

CONTRIBUTIONS

Many people, although they have been contributing regularly during the year, use the start of each new year as a time to add additional funds to maximize their tax savings.

Your base contribution limit is 18% of your earned income from the previous year, less applicable pension adjustments, plus carryforward of any unused RRSP deduction room. The annual limit for 2022 is \$29,210, with the government indexing the limit annually. In addition to your salary, earned income may also include income from rental properties, business income, certain support payments received, royalties, or pension plan disability payments (CPP or QPP).

You may carry forward unused contributions from previous years, allowing you to offset income in a future year, perhaps when you are in a higher tax bracket. This strategy enables you to make a more considerable lump sum contribution against a higher taxable income.



Contributions to your personal RRSP can be made until the end of the year that you turn 71. At this time, your RRSP matures and will need to be converted into a Registered Retirement Income Fund (RRIF), an annuity or paid out in cash.

Your financial advisor or accountant can help you determine your contribution limits, or you can look for it by signing into your CRA account and scrolling down to the bottom of your dashboard.

SPOUSAL RRSP


You can also contribute to a spousal RRSP. Spouses, for this purpose, include common-law partners, same-sex or opposite-sex. These contributions are deducted against your income tax, providing the total of your contributions, and your spousal contributions still fall within your contribution limits.

The advantage of contributing to a spousal RRSP is the ability to effectively split your income in your retirement years, with both partners potentially able to withdraw amounts at lower taxation rates. You can also contribute to your spousal RRSP until your spouse turns 71, regardless of your age.

OVERCONTRIBUTION

If you are over 18, it is possible to overcontribute your RRSP by \$2,000 in any year without penalty.

Overcontributions beyond that amount are taxed at 1% per month until you either withdraw that amount or earn additional contribution room to accommodate it.



In the year you turn 71, you have a unique opportunity to overcontribute to your RRSP. Any year in which you earn income makes you eligible for an RRSP contribution in the following year.

So, if you have earned income in the year you turn 71, you can contribute to your RRSP by the end of that year against your limit for the *following* year.

For example, if you turned 71 in November 2022, you can add additional contributions to your RRSP by December 31, 2022. These contributions will go against your 2023 limits since you made this RRSP contribution by the end of the year in which you turned 71.

WITHDRAWALS


You will be taxed according to provincial guidelines if you withdraw from your RRSP. Amounts withdrawn from an RRSP are taxable as income when they are received. Tax is withheld by the plan administrator and is considered when filing your tax returns.

Taxes are withheld based on the following schedule:

Amount of Withdrawal	All provinces (except Quebec)	Quebec
Up to \$5,000	10%	20%
\$5000.01 to \$15,000	20%	25%
\$15,000.01 and above	30%	30%

There are two specific times when you can make a non-taxable withdrawal from your RRSP:

- **Federal Home Buyers Plan (HBP)** - first time homebuyers can withdraw up to \$35,000 to purchase your home. If your co-purchaser is also a first-time buyer, they can withdraw from their account as well.

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- **Lifelong Learning Plan (LLP)** - you can also withdraw up to \$20,000 for post-secondary education for you or your spouse.

CONVERTING YOUR RRSP

An RRSP matures at the end of the year in which the annuitant turns 71. At that time, the annuitant has three options:

- Convert the RRSP to a registered retirement income fund (RRIF)
- Purchase an annuity
- Cash in the RRSP

For more information on these options, please refer to our Registered retirement income fund (RRIF) article, located in the blog section of our website.

As is usual in tax matters, rules covering RRSPs are complex, and specific cases need to be individually addressed. Please consult professional advice when necessary.

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