

Registered Retirement Savings Plan (RRSP)

What is a Registered Retirement Savings Plan (RRSP)?

An RRSP is a government approved savings account that allows you to put money aside for your retirement years now. The money you contribute, within limits, is tax deductible, and the interest income earned is also tax sheltered. This means that the money you save in your RRSP will be deducted from your income earned this year, enabling you to pay less taxes during your peak earning years.

What rate of return can I expect to earn with my RRSP contributions?

While most RRSP accounts will earn you some interest by just having your money sit there, you can grow your return faster investing in term deposits, mutual funds, individual stocks and bonds or ETF's. If you're interested in maximizing your return, our advice is to talk to one of our trusted advisors.

Can you withdraw funds?

RRSP contributions can be withdrawn, in whole or in part, depending on the original conditions at the time the investment was established. The money you withdraw is taxable and will be reported as income on a T4RSP by the issuer of your plan.

When you withdraw money (excluding under the Home Buyer's Plan or Lifelong Learning Plan) from your RRSP, government regulations require tax to be withheld¹ as follows for residents of Canada:

10% — on amounts up to \$5,000

20% — on amounts over \$5,000

30% — on amounts over \$15,000



You may contribute at any time during the year. Contributions made during the first 60 days of any year may be deducted for the current or the immediately preceding taxation year.



Talk to a Prospera Advisor today.

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¹The tax that was withheld may not always be enough to account for the tax you owe at your tax bracket. You may have to pay more tax on the withdrawal when you include the withdrawal on your Income Tax and Benefit Return for that year.

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Who is eligible to contribute?

Anyone who earns income subject to Canadian taxation, including non-residents, may contribute to an RRSP. Even if you have income below the taxable threshold, you should file a tax return to report your earned income and create RRSP deduction room.

You can make part or all contributions to a plan in your own name or to a plan in your spouse's or common-law partner's name. You, as the contributor, are still entitled to the tax deduction.

Contributions can be made until the end of the year in which the plan holder's 71st birthday occurs, in which case the RRSP will need to be converted to a Retirement Income Option (RIO).

To learn more about an RRSP, one of our knowledgeable advisors would be happy to help you.

Where can I find my RRSP deduction limit?

After filing your tax return, your Notice of Assessment (NOA) from the CRA will state your RRSP deduction limit for the following year. This information is also available online, on My CRA Account.

If you don't claim your maximum RRSP deduction, you can carry forward the unused deduction room indefinitely. This applies whether or not you actually make a contribution.

How do I report this on my taxes?

After your RRSP contribution has been processed by the RRSP issuer, you will receive an official receipt. This must be reported with your tax return for that year even if you choose not to deduct it until a year later. Financial institutions are required to report all RRSP contributions to CRA.



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