

Registered product comparison: RRSP vs. TFSA

In Canada, there are several Government registered accounts to help encourage Canadians to save and invest for their futures. Two of the most popular registered savings accounts are the Registered Retirement Savings Plan, or RRSP, and the Tax-Free Savings Account or TFSA for short.

RRSP

Registered Retirement Savings Plan is primarily intended for retirement. Contributions made to an RRSP are tax-deductible and reduce your income for tax purposes. Withdrawals from an RRSP are added to your income and are taxed accordingly.

TFSA

Tax Free Savings Account is a flexible, general-purpose savings account that allows you to earn tax-free interest on your investments and is intended to help you save towards any goal. Your TFSA contribution room accumulates every year, if you are 18 years of age or older and a resident of Canada, and is set by the Federal Government each year.

Withdrawing without penalty

RRSP

1. **Home Buyer's Plan:** Withdraw up to \$25,000 of your RRSP savings without having to pay taxes on the funds if you are buying your first home. Repayment plan set over 15 years.
2. **Lifelong Learning Plan:** Withdraw up to \$10,000 per calendar year from your RRSPs to finance a full-time training or education program for yourself or your spouse/common law partner. Repayment plan set over 10 years.

TFSA

1. Withdrawals from a TFSA are always tax-free.¹
2. If you choose to withdraw funds during a given year, you can re-contribute to your TFSA the following year(s) without impacting your contribution room.



Have questions?

One of our knowledgeable advisors would be happy to assist with any of your questions surrounding TFSA or RRSP accounts.

Factors to consider

Income

If you expect to be in a lower tax bracket when you withdraw (at retirement), the RRSP may be the better choice.

If you expect to be in a higher tax bracket when you withdraw (at retirement), the TFSA may be a better choice.

Pension Test

Does your employer offer a pension plan?

If you have a pension plan at work, your income level at retirement will be higher, meaning a TFSA may be the better choice.



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