Your Guide to Understanding the RRSP

REGISTERED RETIREMENT SAVINGS PLAN

2024/2025

This brochure has been created to provide general information regarding the Registered Retirement Savings Plan as a courtesy of your financial institution and is based on legislation in effect as of April 2024.

All examples provided are hypothetical and for illustrative purposes only. Please contact your investment representative at your branch to obtain personalized advice on your financial plan. Further information related to the RRSP, and other registered products may be obtained by phone at **1-800-959-8281** or through the Government of Canada website **https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/rrsps-related-plans.html**

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What is an RRSP?

Approved by the federal government, a Registered Retirement Savings Plan (RRSP) is a tax-deferred investment vehicle, which allows you to save for your retirement.

The owner of the plan, known as the plan holder or annuitant, makes contributions to the RRSP within their available deduction limit and must be a resident of Canada for tax purposes and have a valid Social Insurance Number (SIN) when the account is opened.

Contributions to an RRSP are deducted from the contributor's taxable income. While income and gains are deferred from tax while remaining in the plan.

Who Can Open an RRSP?

Eligibility requirements

An RRSP is available to individuals who meet all the following requirements:

- Is a resident of Canada at the time the plan is opened
- Is 71-years of age or younger; and
- Has a valid SIN

SIN requirements

The Canada Revenue Agency (CRA) will register an RRSP when the annuitant's surname, SIN and date of birth match their records. The CRA will not accept the RRSP for registration if one or more of the required data elements do not match the information in their files.

Features and Benefits

Savings for your retirement

The RRSP is a valuable savings vehicle that is designed to help you save towards your retirement, providing an additional source of income to enhance your company and/or government pension benefits, all while your investments continue to grow tax-free until withdrawn.

Additionally, savings in your RRSP could be used towards your first home purchase as well as to fund you or your spouse's training or educational needs.

Tax-free withdrawals for your first-home or educational purposes must be qualified using the CRA's prescribed form.

Compound growth, tax-deduction, and tax-sheltered savings

As a savings vehicle for your retirement, one of the primary benefits of an RRSP is the tax-deductible contributions and the advantages of tax-free growth. By contributing early in your higher-income earning years, your investment will increase returns over time through the effects of compounding.

Contributions to an RRSP are tax deductible at your current tax rate and can be used to lower your taxable income in the current or future tax year, **while withdrawals are included in your taxable income in the year of payment.**

An RRSP allows you to invest money in the account without being taxed on the income and growth of the assets while held in the RRSP. This tax-free and compounding growth results in faster savings compared to investing in a non-registered account.

Creditor protection

The federal Bankruptcy and Insolvency Act provides protection to RRSPs, as well Registered Retirement Income Funds (RRIFs), Registered Education Savings Plans (RESPs), and Registered Disability Savings Plans (RDSPs), from seizure by creditors in the event of bankruptcy only. **Contributions made to your RRSP in the 12 months prior to the date of filing do not have bankruptcy protection.**

EXAMPLE

Kyle declared bankruptcy on March 15th, 2024, therefore any contributions made from March 15th, 2023, to March 15th, 2024—the date of bankruptcy, would not be protected from creditors. All amounts in the RRSP prior to March 15th, 2023, receive full creditor protection.

RRSP deduction limit

The RRSP deduction (dollar) limit is the maximum amount that can be contributed to an RRSP, including a spousal RRSP, in a given year.

The CRA keeps track of your deduction limit which is calculated based on 18% of your earned income in the previous years, and the annual limit for the tax period, plus any pension adjustments and unused contributions carried forward from a previous year.

The RRSP dollar limits since 2020 are detailed in the following table:

Year	RRSP dollar limit
2024	$31,560.00
2023	$30,780.00
2022	$29,210.00
2021	$27,830.00
2020	$27,230.00

As annuitant and owner of the RRSP, you can have as many accounts as you wish; however, contributions to your RRSPs, including RRSPs where you are the spousal contributor, must not exceed your annual deduction limit as provided by the CRA.

It is important that you keep track of your RRSP contributions to avoid any over-contribution penalties imposed by the CRA.

Earned income

Generally, 18% of your earned income in the prior year is used to calculate your contribution limit for the current year. The following are examples of earned income:

- Income from office or employment reported on a T4 information slip, such as salary, wages, bonuses, and taxable benefits
- Taxable wage loss replacement or long-term disability income resulting from employment
- CPP/QPP disability benefits
- Amounts received under the wage earner protection program act
- Net income from self-employment
- Net rental income from real property
- Taxable alimony or maintenance payments received
- Unemployment benefit plan payments
- Royalties of an author or inventor
- Net research grants
- Income that is contributed to an amateur athlete trust
- Postdoctoral fellowship income

Steps for calculating earned income are provided in the CRA guide T4040 RRSPs and Other Registered Plans for Retirement.

EXAMPLE

Kayla had $65,500 in earned income last year. Her RRSP dollar limit for this tax year is $11,790 ($65,500 x 18%). This is the maximum amount she could contribute to her RRSP, with the exception of any unused contribution room carried forward from a previous year.

If Kayla had unused contributions of $10,000, she could contribute up to $21,790 this tax period ($11,790 + $10,000).

RRSP Types

There are generally four types of RRSPs: Individual, Spousal, Group and Self-Directed.

Individual RRSP

An Individual RRSP is registered in the name of the contributor and owner of the plan. The owner of the plan is known as the annuitant.

An RRSP also has a supplemental version called a locked-in retirement account (LIRA) also known as a locked-in RSP (LRSP).

Locked-in Account

A locked-in account is a is special type of RRSP that is available to accept direct transfers from your company pension plan upon early retirement or end of employment.

The legislation governing a locked-in pension plan is based on the province where you worked to earn the pension credits, with the exception of pensions governed by federally regulated industries.

Federal legislation oversees pensions of federally regulated industries such as airlines, banks, broadcasting and telecommunications, shipping, and railways.

Spousal RRSP

A spousal RRSP is registered in the name of your spouse or common-law partner to which you make contributions based on **your** annual deduction limit. While the contribution is deducted against your taxable income, the RRSP belongs to your spouse who is the owner and annuitant of the plan.

A spousal RRSP is a useful tax planning tool that allows a higher-income earner to split retirement income with their lower-income spouse or common-law partner, effectively reducing tax payable when withdrawn.

Self-Directed RRSP

A self-directed RRSP is a savings plan established with a trustee where you, the annuitant, manages the portfolio with or without the assistance of an advisor or broker. This plan type is structured to hold a variety of qualified investments in one account, making it easier to track your investments.

Self-directed RRSPs are offered by select financial institutions only. Consult with your financial institution if they offer self-directed products.

Group RRSP

A group RRSP is an employee sponsored retirement benefit plan where the employer, and sometimes the employer and employee, make contributions to the plan through payroll deductions to save for the employee's retirement. A group RRSP is subject to additional restrictions as set out in the employer agreement.

Qualified investments in an RRSP

An RRSP can accept the same qualified investments as those held in a TFSA.

Types of qualified investments are prescribed under the Income Tax Act (Canada) and include some of the following:

- Cash/Variable Interest Savings Accounts
- Term Deposits and Guaranteed Investment Certificates (GICs)
- Credit Union Membership Shares
- Index-linked Term Deposits
- Mutual Funds

A self-directed RRSP is allowed to hold additional qualified investments such as:

- Bonds
- Securities, listed on a designated stock exchange, including exchange-traded funds (ETFs)
- Mortgages
- Mortgage Investment Corporations (MICs)

Investments in a self-directed RRSP are subject to the investment inclusion policies at your financial institution. You must ensure the investment is a qualified investment under the Income Tax Act.

Contributions and Withdrawals

Contributions

Contributions to an RRSP depend on the account type. Contributions are generally made by the owner of the account, also known as the annuitant. Although, contributions can be made to a spousal plan on behalf of the contributor's spouse or common-law partner.

Additionally, contributions can be made by an employer and/or employee to a Group RRSP on behalf of the employee.

Contributions cannot be made to a locked-in RSP (LIRA/LRSP) as this plan type is subject to strict rules regulated by provincial or federal pension legislation.

Contribution limits

The maximum RRSP contribution dollar limit for 2024 is $31,560 and is calculated by the CRA based on 18% your previous years' income, any pension adjustments, plus any unused contributions carried forward from previous years.

Carry forward room starts once you have earned income and continue to file a personal income tax return. Unused contributions are tracked by the CRA and included in your annual notice of assessment (NOA).

As with the new FHSA, RRSP contributions are tax-deductible. For every dollar you place in your RRSP, you can take a deduction against your income in the year of deposit, or you can carry forward your un-deducted contributions indefinitely to claim in a future tax year.

Unused contributions

When you contribute less than the annual RRSP dollar limit, the difference is referred to as an "unused contribution."

Unused contributions may be carried forward indefinitely and used in future years. Therefore, in any given year, you could contribute more than the annual limit up to your maximum unused contribution room.

Unused contributions can be carried forward indefinitely, so long as you are eligible to contribute to an RRSP.

EXAMPLE

Johan is 72 years-old and no longer eligible to hold an RRSP due to the maximum age requirement. He has unused contribution room of $8,000 and could use a deduction against his income for the year. Johan's wife Nina is 68 years-old so he could make a spousal contribution to an RRSP in her name to make use of his unused contribution room.

EXAMPLE

Peter's earned income last year was $75,000. His RRSP limit is calculated as $13,500 ($75,000 X 18%). If Peter contributes $10,000 to his RRSP this tax year, he will have $3,500 in unused contributions to carry forward indefinitely. This unused amount will be added to any other unused amounts he has generated over the years.

Spousal contributions

A spousal RRSP is used as an income splitting tool designed to lower your family's tax liability when taken out as pension income. An effective tax splitting strategy involves transferring taxable income from a high-income earner to a lower-income earner as demonstrated below.

Provided you have sufficient contribution room, you could make contributions to your lower income earning spouse or common-law partner's RRSP. As a result, contributions made to a spousal RRSP become assets of the RRSP plan holder, while you deduct the contribution against your taxable income.

Contributions to a spousal RRSP can be made anytime during the year, including up to the end of the year your spouse or common law partner reaches 71 years of age.

You must ensure you have sufficient contribution room to avoid any penalties.

3-year attribution rule

Spousal RRSPs are subject to a 3-year attribution rule, which means contributions made by a spouse contributor must stay in the RRSP in the year of contribution and the following 2 years (3-year period) before it can be withdrawn by the planholder. If the planholder takes out any funds during this period, the amount of the withdrawal will be attributed back to the spousal contributor and will be included in their taxable income in the year of withdrawal.

Since the assets in a spousal RRSP are owned by the RRSP plan holder, not the spousal contributor, all withdrawals made after the 3-year attribution period will be included in the plan holder's taxable income in the year of payout.

The 3-year attribution applies to the year of withdrawal and the preceding 2 calendar years as demonstrated in the following example.

EXAMPLE

Sharon made spousal contributions to her partner's RRSP over the past 4 years in the following amounts:

Year	Sharon's contributions	Withdrawals
2021	$10,000.00	$ -
2022	$10,000.00	$ -
2023	$5,000.00	$ -
2024	$ -	$25,000.00
Total	**$25,000.00**	**$25,000.00**

Sharon's partner took out $25,000 from the spousal RRSP in 2024 resulting in taxable income to Sharon in the amount of $15,000, since this amount was contributed within the attribution period. Her partner will be taxed the remaining amount of $10,000.

In-kind contributions

You can direct an in-kind contribution of non-registered securities, such as mutual funds and term deposits, to your RRSP provided the property being contributed is accepted by the financial institution and is a qualified investment under the *Income Tax Act*.

REMINDER

In-kind contributions are considered a deemed disposition of capital property for tax purposes and may trigger a capital gain if the Fair Market Value (FMV) of the property exceeds its Adjusted Cost Base (ACB) at the time the transaction occurs. If the property is transferred at a loss, the capital loss is not deductible, and the property will be transferred at its FMV.

Retiring Allowance

When you leave your employer, you might receive a retiring allowance based on your length of service and position within the organization.

All or part of the eligible amount can be contributed to your RRSP without impacting your RRSP room. The non-eligible portion can be contributed into your own RRSP, or a spousal RRSP (where you are the contributor), so long as you have sufficient contribution room.

You can find your contribution room on your latest notice of assessment from the CRA.

Your employer will provide you with the information related to your retiring allowance which includes the eligible and non-eligible amounts which will be reported on your T4 slip for the year of payment. Your financial institution will issue an offsetting contribution receipt for the amount(s) deposited to your RRSP.

Consult with your tax specialist or advisor for more information related to retiring allowances.

Excess contributions

As the RRSP plan holder, you are responsible for ensuring your maximum deduction limit is not exceeded. An over contribution above your RRSP deduction limit is subject to a penalty tax of 1% per month for each month the excess amount remains in the RRSP. **This penalty applies to amounts over the $2,000 lifetime excess contribution threshold** provided to each taxpayer aged 18 or older during the current or previous calendar year.

Amounts over your $2,000 lifetime excess amount will be considered an over contribution and should be withdrawn as soon as identified to avoid the 1% monthly penalty.

A withdrawal of an over-contribution is subject to withholding tax upon payout unless you obtain approval from the CRA to have the amount withdrawn from your RRSP without any taxes. CRA approval can be requested using their prescribed form T3012A.

A withdrawal to correct over contributions does not increase your unused contribution room.

It is recommended that you seek independent tax advice if you receive an over contribution notice from the CRA.

It is important for you to keep track of your RRSP contributions, especially if you have multiple RRSPs, including a spousal RRSP (as the annual contribution limit applied per person, not per account).

Withdrawals

Although the RRSP is used to save for your retirement, you could make a withdrawal at any time as long as the RRSP is not locked-in under pension legislation.

Payments from an RRSP are subject to tax upon payout and must be included in your taxable income in the year of withdrawal.

Reportable transactions are detailed on a T4RSP tax information slip issued by your financial institution at the end of February following the year of withdrawal.

Note withholding taxes for an RRSP are the same as for an FHSA:

Amount of payment	Withhold tax rate (all provinces except QC)
Up to $5000	10%
$5,001 to $15,000	20%
More than $15,000	30%

Special tax-free elections are available on withdrawals used towards your first home or for educational expenses for you and/or your spouse or common-law partner.

Home Buyer's Plan (HBP)

As of March 20, 2019, you could withdraw up to $35,000 from your RRSP to buy or build a qualifying home for yourself or a related person with a disability. *Prior to this date the maximum withdrawal amount was set at $25,000.*

Budget 2024 increased the HBP amount from $35,000 to $60,000 for all HBP withdrawals that take place after April 16, 2024.

A qualifying HBP withdrawal is non-taxable to you in the year received. However, amounts must be returned (paid back) to an RRSP in your name within a 15-year period—starting the second year after the year of the first withdrawal.

Budget 2024 proposed to temporarily defer the repayment date by an additional three years for those first HBP withdrawals made between January 1, 2022, and December 31, 2025. This means the repayment period will start the fifth year after the first withdrawal.

Did you know you can make multiple HBP withdrawals from your RRSP as long as they are made within the same calendar year as your first withdrawal and in January of the following year?

EXAMPLE

HBP withdrawals made prior to 2022:

Simon's RRSP balance is $185,000. In 2021 he makes a HBP withdrawal in the amount of $35,000 to purchase his first home. The repayment period begins the second year after the withdrawal (2023). Simon must return $2,333.33 ($35,000/15) of the proceeds each year until 2038 or until his HBP balance is zero, whichever comes first. Any amounts not repaid in a given year will be included in Simon's taxable income.

EXAMPLE

HBP withdrawals made under new temporary relief measures:

Alvin's RRSP balance is $185,000. In 2023 he makes a HBP withdrawal in the amount of $35,000 to purchase his first home. The repayment period begins the fifth year after the withdrawal (2028). Alvin must return $2,333.33 ($35,000/15) of the proceeds each year until 2043 or until his HBP balance is zero, whichever comes first. Any unpaid amounts in a given year will be included in Alvin's taxable income.

EXAMPLE

HBP withdrawals made under the new 2024 limit and temporary relief measures:

Thea's RRSP balance is $200,000. In 2024 she makes a HBP withdrawal in the amount of $60,000 to purchase her first home. The repayment period begins the fifth year after the withdrawal (2029). Thea must return $4,000 ($60,000/15) of the proceeds each year until 2044 or until her HBP balance is zero, whichever comes first. Any unpaid amounts in a given year will be included in Thea's taxable income.

HBP conditions

Certain conditions must be met for you to receive the withdrawal from your RRSP tax-free. The conditions are similar to a First-Home Savings Account (FHSA) withdrawal, must be made on the prescribed form provided by the CRA (form T1036), and includes the plan holder meeting the following conditions:

- Resident of Canada
- First-time home buyer
- The withdrawal is made within 30 days of owning the home
- Has written agreement to buy or build a qualifying home for yourself or a related person with a disability
- The qualifying home is in Canada

A qualifying home buyer's withdrawal does not generate taxable income and does not affect any income tested benefits or credits of the holder.

If you and your spouse also qualify as a first-time homebuyer, you can both participate in the HBP program. This means you could potentially have a maximum of $120,000 to use towards your first home as the maximum withdrawal is set at $60,000 for each RRSP plan holder. **Additionally, you could use your FHSA to increase the amount available towards your first home.**

When these conditions and all others on the CRA form are met, you may withdraw funds at any time, unless restricted by investment terms and conditions (e.g., 3-year fixed deposit). **HBP withdrawals are not permitted from a locked-in RRSP.**

Starting after April 1, 2023, proceeds from the new First-Home Savings Plan (FHSA) could be used with the RRSPs Home Buyers Plan towards a qualifying home purchase. However, unlike with the HBP, the FHSA withdrawal is not subject to repayment.

Lifelong Learning Plan (LLP)

You can withdraw up to $10,000 in a calendar year from your RRSP to fund full-time training or education for you or your spouse, or common-law partner. **Withdrawals cannot exceed $20,000 over the four-year LLP participation period.**

Amounts can be taken out of your RRSP until the earliest of either the start of your repayment period or by January of the fourth calendar year after you make your first LLP withdrawal.

A qualifying withdrawal is non-taxable to you the plan holder. However, amounts must be returned (paid back) to an RRSP in your name within a 10-year period. **Repayments must start no later than the fifth calendar year after your first LLP withdrawal.**

You can make repayments any time before the required period. Early repayments will reduce your first required payment.

Special rules apply where you do not complete the education program or if you have completed the program and are no longer enrolled.

EXAMPLE

In 2024, David decided to pursue post educational training and would like to pay for the tuition from his RRSP. Considering he qualifies and continue to meet the conditions to qualify using CRA form RC96, he can take out the $10,000 this year (2024) and up to $10,000 more if taken by January 2028. His repayment period starts in 2029 since it is the fifth year after his first LLP withdrawal.

For the 2029 tax year, David must return $2,000 ($20,000/10) of the proceeds each year until 2038 or until his LLP balance is zero, whichever comes first. Any amounts not repaid in a given year will be included in David's taxable income.

LLP conditions

Certain conditions must be met for you to receive the LLP withdrawal tax-free.

Firstly, the withdrawal must be made using the prescribed form provided by the CRA (form RC96), and includes the plan holder meeting the following conditions:

- Has an RRSP
- Resident of Canada
- Student is enrolled, or received an offer to enroll before March of the following year
- As a full-time student or part-time student if the disability conditions are met in a qualifying educational program

- At a designated education institution
- Your LLP repayment period has not started (if you made an LLP withdrawal in a previous year)

When these conditions and all others on the CRA form are met, you may withdraw funds at any time, unless restricted by investment terms and conditions (e.g., 3-year fixed deposit). **LLP withdrawals are not permitted from a locked-in RRSP.**

Qualifying HBP and LLP withdrawals do not impact eligibility for income-tested benefits and credits (e.g., OAS, GIS, Age Credit, HST/GST, EI, Canada Child Benefit, or the Canada Workers Benefit (CWB), formerly known as the Working Income Tax Benefit).

HBP/LLP Repayment considerations age 71

If you still have an outstanding HBP or LLP balance in the year you turn age 71, you can select one of the following options:

- Repay the outstanding balance to your RRSP;
- Make a partial repayment to your RRSP
  - In the following year your remaining balance will be divided by the number of years remaining in your repayment period, and will be included in your income each year until the balance is paid off; or
- Make **no payment** to your RRSP
  - In the current year your remaining balance will be divided by the number of years remaining in your repayment period, and will be included in your income each year until the balance is paid off.

Non-Residents

The CRA may consider an individual a non-resident of Canada for tax purposes if they:

- Normally, customarily or routinely live in another country
- Live outside Canada throughout the tax year
- Stay in Canada for less than 183 days in the tax year
- Have no significant residential ties to Canada, such as a home, a spouse or common-law partner, or dependents

If you own an RRSP and subsequently become a non-resident of Canada, the RRSP may remain open and retain its tax-free status on income and gains. Although you should check with an international tax specialist on reporting requirements for the country you reside in.

Canada has tax treaties with most foreign countries that deal with registered plans and pension income. **It is advised you consult with an international tax specialist for information on your tax obligations while residing outside of Canada.**

You can continue to make contributions to your RRSP when you reside outside of Canada as long as you have taxable income in Canada and available RRSP contribution room.

Withdrawals while a non-resident, are subject to a 25% withholding tax unless reduced by a tax treaty between Canada and your country of residence for tax purposes. Your financial institution will issue a NR4 information slip by the end of March following the year of withdrawal.

Adam has an RRSP that he set up in 2000. He moved from Canada to the United States (US) in 2020 and decided to take out $5,000 in 2024 to assist with his living expenses. Since Adam is considered a US resident for tax purposes, his financial institution withheld $1,250 in taxes *($5,000 x 25% = $1,250)*.

Transfers

Transfers related to an RRSP take place on a tax-deferred basis as long as the funds are **transferred**, by your financial institution, directly to or from:

- Another RRSP or RRIF owned by the plan holder, unless restricted by investment terms and conditions (e.g., 3-year fixed deposit)
- The RRSP or RRIF of a spouse/common-law partner named as the beneficiary on the death of the plan holder; or
- The RRSP or RRIF of a former spouse/common-law partner on a relationship breakdown

In all the above cases, a direct transfer will not affect the contribution room of the plan holder receiving the funds. You can instruct a financial institution to transfer from one RRSP to another RRSP/RRIF in your name provided the proceeds are transferred directly between the registered accounts. If funds are paid out first it would be considered a taxable withdrawal and included in your income for the year of payment. **When funds are paid out, your RRSP contribution room is not reinstated.**

Additionally, there are special rules that allow for transfers from a company pension to your RRSP or RRIF without impacting your contribution room, such as the following transfer types:

- Registered Pension Plan (RPP) you received as a result of employment, death of a spouse, relationship breakdown, or court order
- Specified Pension Plan (SPP) you received as a result of being a plan member, or through death of a spouse, relationship breakdown, or court order
- Retiring allowance (severance pay) you receive on or after retirement in recognition of long service. The eligible portion does not impact your contribution room. **You can contribute the non-eligible portion so long as you have sufficient contribution room.**

Relationship breakdown transfer

When there is a breakdown in marriage or common-law partnership, an agreed upon amount can be transferred directly from one individual's RRSP to the other's RRSP, or RRIF without affecting the contribution room of either parties.

The following conditions must be met:

- You and your spouse, or common-law partner, are living separate and apart at the time of transfer; and
- The amount of the transfer arises from a decree, order, or judgment of a court, or under a written separation agreement

The transfer must be made directly between your RRSP and to the recipient's RRSP or RRIF to avoid any tax implications.

Your financial institution will issue you a T4RSP information slip to report the details of the relationship breakdown transfer. This amount must be reported on your individual tax return for the year of the transfer.

Transfers due to relationship breakdown must be processed using the CRA's prescribed form T2220.

Retirement options

Your RRSP is a savings vehicle meant to provide you with an income stream during your retirement; therefore, it must be converted to a retirement income option, such as an annuity or a RRIF, no later than December 31st of the year you reach age 71.

You could transfer your RRSP to a retirement option at any time prior to age 71 should you decide to retire earlier or need additional pension income.

If you are age 65 or older, income from a RRIF qualifies as eligible income for the pension income tax credit on the first $2,000 of eligible income.

Death of an RRSP holder

An RRSP can be used as an effective estate management tool by allowing you to designate your spouse, common-law partner (collectively referred to as your spouse), or other named individual as beneficiary on the account. By designating a named beneficiary on your RRSP, the account assets will bypass your estate resulting in the assets being excluded from probate.

As permitted by law, you may designate any individual to receive the proceeds of the RRSP upon your death. The following appointments apply in all jurisdictions except for Quebec.

It is advisable to consult with your estate specialist regarding your estate planning strategy.

Spouse as beneficiary

You may appoint your spouse as beneficiary of your RRSP either directly, using the acceptable form provided by your financial institution, or by making the designation to the specific RRSP in your will.

When naming your spouse as beneficiary of your RRSP, they could rollover (transfer) the full amount into an RRSP or RRIF in their name avoiding any tax liability to your estate. This type of rollover provision is known as a **refund of premiums** and should be completed no later than December 31st following the year of the RRSP holder's death (the exempt period).

Income earned after the exempt period is not eligible for transfer and will be taxable income to your spouse in the year of settlement.

Alternatively, if your surviving spouse is a beneficiary of your estate, a joint election could be made by your legal representative and your surviving spouse to treat all or part of the RRSP proceeds paid to the estate as having been transferred to an RRSP, or RRIF of your surviving spouse. Either of these elections result in a deemed tax-free transfer from the RRSP to the survivors registered account. This election is processed using the prescribed CRA form, T2019 - Death of an RRSP Annuitant - Refund of Premiums.

The refund of premium provisions also applies to a financially dependent child or grandchild and is subject to certain conditions. Contact your financial advisor or tax expert for more information.

There could be a tax liability to your estate should your surviving spouse take the proceeds into cash or not transfer the full amount to an RRSP or RRIF in their name. It is recommended that you seek independent legal and or tax advice related to beneficiary designations and your registered plan.

Designated beneficiaries

Where permitted by law, you may designate any individual or registered charity as beneficiary of your RRSP. Likewise, you may choose not to name any beneficiary at all; in this case the proceeds from your RRSP would become payable to your estate.

An advantage of naming a beneficiary on your RRSP is that they will receive their proportionate share of the full value of the RRSP when it becomes payable upon death. While the fair market value of your RRSP at the time of death becomes taxable income on your final return, all income, and gains from the date of death to the date of settlement (pay out) becomes taxable income to the beneficiary.

In this scenario, your financial institution will issue a T4RSP slip (in your name) to your estate representative reporting the date of death value, and a T4RSP in the name of the beneficiary to report income earned after date of death.

There is no tax liability to your estate when there is a direct rollover from your RRSP to your spouse, common-law partner, or financially dependent child or grandchild.

Minor beneficiary

Naming a minor beneficiary on your RRSP may result in settlement delays as well as potential legal and tax consequences as your financial institution cannot release the proceeds until the minor beneficiary reaches the age of majority. Refer to age of majority table below.

It is strongly advised that you name a trustee for a minor beneficiary either through the form provided by your financial institution or through a formal trust document.

Province	Age of Majority
Alberta	18
British Columbia	19
Manitoba	18
New Brunswick	19
Newfoundland and Labrador	19
Northwest Territories	19
Nova Scotia	19
Nunavut	19
Ontario	18
Prince Edward Island	18
Quebec	18
Saskatchewan	18
Yukon Territories	19

It should be noted the minor beneficiary's guardian does not automatically have guardianship of the minor's property unless appointed by the court.

Donation to a qualified donee

Where the RRSP plan holder names a Canadian registered charity a beneficiary of the RRSP, the transfer of funds to the registered charity must occur within the 36-month period following the plan holder's death. If the transfer occurs during this 36-month period, the transfer is deemed to be a donation or gift made immediately before the plan holder's death. Once the donation has been completed, the estate representative can claim the charitable donation tax credit.

Examples of a qualified donee:

- A registered charity
- A registered Canadian amateur athletic association
- A registered journalism organization
- A registered Canadian municipality

You should seek independent tax-advice prior to designating a charitable organization as a beneficiary of your RRSP.

All beneficiary designations are subject to the acceptance of the financial institution.

Borrowing Money to Purchase an RRSP

Unlike the money borrowed to buy non-registered investments, interest on money borrowed to invest in an RRSP is not deductible for tax purposes. However, many financial institutions offer RRSP loans which allow you to maximize your contribution room and reduce your taxable income. **Contact your financial advisor to determine if an RRSP loan is a good choice for you.**

Use of RRSP as security for a loan

If a trust governed by an RRSP allows any property as security for a loan, the value of the property must be included in the RRSP annuitant's income in the year of the loan and will be taxed accordingly.

Non-qualified or prohibited investments

An RRSP is subject to severe tax consequences in any of the following scenarios:

- The RRSP holds a non-qualified investment; or
- The RRSP invests in a prohibited investment

If any of the above situations occur, your RRSP will be taxed on any income earned and on any capital gains generated from either the non-qualified or prohibited investment or both. In this case the RRSP would be subject to special trust reporting to the CRA.

Non-qualified and prohibited investments are subject to a 50% tax on the value of the property at the time it was purchased or became a non-qualified or a prohibited investment. Additionally, you, the RRSP annuitant, will be liable for an advantage tax of 100% on any income or gains derived from the property while it remains in the RRSP.

These tax measures were put in place by the CRA in order to deter any abusive tax-planning schemes involving RRSPs.

Account advantages and benefits

If you, or anyone related to you, was provided with an advantage, certain benefit, or debt that is conditional on the existence of your RRSP, you may be subject to an advantage tax:

- In the case of a benefit, the FMV of the benefit; and
- In the case of a debt or loan, the amount of the debt or loan

The Income Tax Act stipulates that an RRSP issuer cannot provide you, the annuitant, with any benefits or advantages that are in any way conditional on the existence of the RRSP, such as merchandise, trips, or interest-free loans. These types of incentives will be taxed to your as the recipient of the advantage.

The CRA has granted exceptions to certain benefits, which will not be taxed to the annuitant so long as the benefit is credited directly to the RRSP and not to the annuitant.

Benefits received by someone other than your RRSP issuer will be subject to a penalty tax of 100% of the benefit. You will be responsible for reporting the transaction to the CRA and paying the penalty tax.

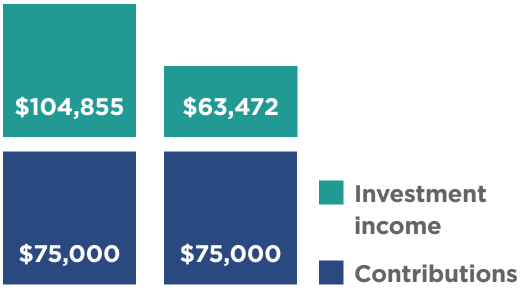
RRSP vs. Non-Registered Investment Account

One of the main benefits of holding assets within an RRSP compared to a non-registered investment is the tax-deferred growth on income and gains while held within the RRSP. This benefit results in your RRSP savings growing faster than it would in a traditional non-registered investment account as demonstrated below.

Assumptions:

The following illustration is based on you making an initial contribution of $3,000 and contributing $200 a month for 30 years and earning a rate of return of 5%.

RRSP vs. Non-registered savings illustration



As illustrated above, investing in an RRSP resulted in $41,383 more in savings than if you invested the same amount in a non-registered (taxable) account.

The benefits of the RRSP over a non-registered investment account increases as your marginal tax rate increases.

This example is hypothetical and for illustrative purposes only and is not intended as a replacement for investment advice.

RRSP, TFSA and FHSA comparison

The RRSP, TFSA and the FHSA both offer tax efficient savings, but there are key differences, as noted below:

Features	RRSP	TFSA	FHSA
Purpose	**Save for retirement**	**General savings**	**Save for down payment**
Tax deductible deposits	✓	✗	✓
First 60-day contribution provision	✓	✗	✗
Residency Requirements (Resident of Canada when the account is opened)	✗	✓	✓
Contribution limit based on earned income	✓	✗	✗
Spousal contributions allowed	✓	✗	✗
Qualifying withdrawals impact federal gov't benefits	✓	✗	✗
Maximum age limit (71)	✓	✗	✓
Maximum participation period (age 71)	✓	✗	✓
Tax free growth	✓	✓	✓
Tax-free withdrawals	✗	✓	✓
Pay back requirements	✗	✓	✓

Features	RRSP	TFSA	FHSA
Transfers	Can transfer to an RRSP, RRIF or FHSA (transfers to an FHSA are subject to annual and lifetime limits.)	Can transfer to a TFSA	Can transfer to an FHSA, RRSP or RRIF
Estate preservation **(subject to approved estate legislation)**	Can name a beneficiary. A spouse beneficiary can transfer to an RRSP or RRIF.	Can name a successor or beneficiary	Can name a successor or beneficiary. Successor can transfer to an FHSA, RRSP or RRIF
Tax treatment on death	Income earned after date of death is taxable to the beneficiary. There is no tax where a qualified survivor, ie. spouse, transfers to an RRSP or RRIF. The annuitant is taxed on the date of death amount if not transferred to the spouse's registered account.	Income earned after date of death is taxable to the beneficiary. The holder is not taxed on the date of death amount.	Cash settlements are fully taxable to the beneficiary. The holder is not taxed on the date of death amount.
Maximum Contribution (2024)	Lesser of $31,560 or 18% of previous year's earned income.	Annual dollar limit for 2024 is $7,000	Annual limit for 2024 is $8,000
Lifetime/ Cumulative Limit	There is no lifetime limit, however your maximum contributions are subject to your RRSP deduction limit which includes any unused contributions.	Lifetime cumulative total for 2024 is $95,000 if you did not contribute in a TFSA between 2009 and 2024 and you were at least 18 years old in 2009.	Lifetime limit is set at $40,000 subject to annual limits and includes transfers from your RRSP.

How Do You Get Started?

Please visit your local credit union branch to discuss how an RRSP can enhance your retirement plan. Before making any investment decisions, it is advised that you ask your credit union advisor about deposit insurance protection.