RRSP · TFSA
What are the differences and how do they affect me?

CAPITAL
ESTATE PLANNING CORPORATION
Provider of your Voluntary Benefits Program

At Capital Planning – the Providers of your Group RRSP & TFSA – we know there are a few questions about the difference between the two, so we've created this handy quick reference guide to help you decide where to direct your funds.

	Registered Retirement Savings Plan (RRSP)	Tax-Free Savings Account (TFSA)
What is it?	An investment account that is built to help you save for retirement.	An investment account that is built to help you save, for either retirement or a shorter term goal.
How does it work?	Typically, you contribute to it when you're working and in a higher marginal tax rate. This gives you a tax deduction. You withdraw it as income when you retire – when you're usually at a lower tax rate.	You contribute it with after-tax money (no tax break at the beginning). Your investments grow and compound, and you can take the whole thing out any time, tax-free.
When can I take it out?	Usually during retirement – if you take it out earlier it gets taxed as income (on top of your employment income). However, you can take out interest-free loans to yourself to purchase a home (Home Buyers' Plan) or to pursue full-time education (Lifelong Learning Plan).	Any time. And even if you withdraw, you can put it right back in again during the next calendar year.
Are my funds matched by my employer?	Not if you have an Pension Plan, as employers usually do their matching within the pension. It may be match by an employer instead of a conventional pension plan.	Generally not.
Is there a limit on how much I can contribute?	18% of your earned income that you reported on your tax return in the previous year, up to a maximum of $26,500.	$6,000 in 2019, no matter what your income was.
What if I haven't maxed out my past contributions?	Every year that you haven't contributed fully to an RRSP, your contribution room carries over. You'll find your total on your Notice of Assessment from CRA.	If you were over 18 in 2009, you have $63,500 in total contribution room.
Why should I direct my investments this way?	- You need to save for retirement. - You want to reduce the taxes you're paying now. - You want to take advantage of employer matching. If you re-invest any tax refund (or use it to repay debt, for example), you'll typically be further ahead in the end with an RRSP.	- You want to save money automatically and take advantage of compound interest. - You want a rainy-day fund, trip fund, or other access to a larger amount of cash if you need it. - You want a choice that you can keep no matter how old you are (RRSPs have a maximum age of 71).
Is there anything else that I should know?	Investing in your Group RRSP through Payroll Deduction, your money comes off your pay cheque before the taxes are taken off (giving you your tax savings back right away) and it has no transaction fees on the account (no cost to start investing, make changes, no annual transaction fees, etc.). There is no cost to withdraw from your RRSP. When it comes time to retire, the Group RRIF is built right in to the plan to give you a retirement income. Plus, your money is never locked in.	Investing in a TFSA through your Group TFSA it has no transaction fees on the account (no cost to start investing, make changes, no annual transaction fees, etc.). Full range of investment choices that match the RRSP. Your money is never locked in.

Capital Estate Planning Providers of your **Voluntary Benefits**

780-463-6128 1-800-661-8755 strategies@capitalplanning.ca www.capitalplanning.ca

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