Cidel
Asset Management

Cidel's Guide: RRSP & TFSA Overview

Canadians are fortunate to have two saving tools at their disposal – Registered Retirement Savings Plans (RRSPs) and Tax Free Savings Accounts (TFSAs). Both offer various benefits, such as tax planning, beneficiary designations, and tax-sheltered growth. However, it is important to be aware of the various differences and how each can play a role in your financial planning, depending on your specific circumstances.

	RRSP	TFSA
Contributions	Contributions are made with effectively pre-tax income. Contribution limit per year is the lesser of 18% of your earned income in the previous year, or $27,830 for 2021. Unused contribution room carries forward.	Contributions are made with after-tax income. Contribution limit is currently $6,000 per year. Unused contribution room carries forward, total since inception in 2009 is $75,500 (as of 2021).
Withdrawals	Any withdrawals are subject to withholding tax at the prescribed rates set out by the CRA.	Tax-free withdrawals. Withdrawn amounts are added back to your allowable contribution amount the following calendar year.
Tax Treatment	Contributions are tax-deductible. Assets within an RRSP grow on a tax deferred basis. This means that any growth or income generated within the account is not subject to tax while held within the RRSP.	Contributions are not tax-deductible. Assets within a TFSA grow on a tax-free basis whether income or gains.
Age Eligibility	By the end of the year in which you turn 71, an RRSP must be rolled into a RRIF. Once a RRIF, there can be no further contributions and there is a minimum amount that is required to be paid out to the annuitant each year, free of withholding tax, to provide a stream of income in retirement. This is, however, deemed taxable income.	Must be 18 or older, no maximum age.
Benefits & Primary Uses	Since an RRSP is a tax-deferred vehicle, it is often beneficial to make contributions when you are in a high tax bracket. This allows you to defer taxable events to when you are retired and likely taxable at a lower marginal rate. Typically used for long-term savings. Flexibility to name your spouse or common-law partner as successor annuitant, allowing for a tax free rollover to the surviving spouse upon death of annuitant. No impact to surviving spouse's contribution room. Utilizing a spousal RRSP allows for income splitting between spouses. This allows for the higher income earning spouse to claim the contribution deduction while the income is eventually taxed in the lower income earning spouse's hands. If eligible, able to withdraw funds from your RRSP as part of the Home Buyers' Plan or Lifelong Learning Plan.	A savings vehicle with flexibility of access to short term liquidity without tax implications. If you are early in your career, simply taxed at a low marginal rate, or have upcoming liquidity needs, a TFSA may be a good option. Flexibility to name your spouse or common-law partner as successor holder, allowing for a tax-free rollover to the surviving spouse's TFSA upon death of annuitant. No impact to surviving spouse's contribution room.

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