

ADVISOR CHAT 07

Registered Retirement Savings Plans(RRSP)

How I can help

Life
Living Benefits
Accident & Sickness
Travel
Group Benefits
Investments

Referrals

Do you have family or friends that you would like me to help protect? I would love to assist them!

Contact

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Contributions made to an RRSP give you a tax benefit. You'll receive a tax receipt for the amount contributed, which can be applied to offset your income when filing your income taxes. Any gains in value are tax-deferred. You will only pay income tax on this money when it's withdrawn from the RRSP. If you wait to withdraw until you retire, you'll likely pay lower taxes as your annual income may be less than when you were working.

If you have earned income you can contribute to an RRSP. You must convert the RRSP into an annuity or a Registered Retirement Income Fund (RRIF) by Dec. 31 of the year you turn 71 years of age.

You can contribute a max of \$27,230 (2020 limit) or up to 18% of pre-tax earned income whichever is less. If you have a pension plan those deductions reduce the amount you can contribute. You may have unused carry-forward contributions room that can be factored in. You have the first 60 days of the new year to contribute to your RRSP and have it count for the previous tax year. Don't know where to find the carry-forward amount?... this can be found on your Notice of Assessment for the year that you previously filed.

A Spousal RRSP is where you contribute (as the contributor) in your spouse's name and YOU will receive the deduction BUT your spouse is the owner of the plan. This can include a common-law spouse.

You can withdraw from your RRSP as long as it's not a locked-in plan. The withdrawal is subject to withholding tax and the amount will also be included as income when filing your taxes. However, there are 2 exceptions: 1. First Time Home Buyers Plan and 2. funding through the Lifelong Learning Plan. No withholding tax nor the addition of income, will apply in those situations (providing it will be paid back within the timelines). If you choose to withdraw you permanently lose the contribution room you originally used to make your contribution

Additional information can be found on the CRA website.

Wishing you the very best in 2021!

Darlene

