

RESEARCH  CAPITAL
CORPORATION

REGISTERED RETIREMENT SAVINGS PLAN

A man and a woman are standing on the deck of a sailboat, looking out over a body of water under a cloudy sky. The man is holding a rope, and the woman is leaning against him. The boat's mast and rigging are visible in the foreground.

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What is an RRSP?



A Registered Retirement Savings Plan (“RRSP”) is a savings and investment vehicle to allow Canadians to save for retirement or other purposes in a tax effective way.

Originally established by the Government of Canada to enable retirement saving for those who did not have employer pension plans, RRSPs have become the most widely used tax-effective means for long-term saving in Canada.



You or your spouse or common-law partner can **contribute to a RRSP** each year with prescribed contribution limits. Contributions are deductible from your taxable income. Withdrawals from your RRSP are included in your taxable income.



By December 31 of the year that you turn 71, your RRSP must be either withdrawn, used to purchase an annuity or transferred into a Registered Retirement Income Fund (“RRIF”).



There are many rules and alternatives governing RRSPs. Read our brochure for further details.

Many financial institutions who are not registered to offer a wide variety of investments offer RRSPs as a deposit product, like a GIC.

At Research Capital your RRSP is an account held in trust for you, in which you can hold a wide variety of investments, including stocks, bonds, treasury bills, savings accounts, GICs, ETFs, mutual funds and others.

Contribution Limits



- Your annual RRSP contribution limit is calculated by the Canada Revenue Agency as follows:

Your unused RRSP deduction room at the end of the preceding year + 18% of your “earned income” in the previous year OR the annual RRSP limit (whichever is LESS).

Earned income includes income from employment, self-employment, and rental income.

- The RRSP dollar limit **for 2025** is \$32,490. There is no lifetime limit for RRSP contributions.
- To see **how much RRSP contribution room you have**, you can refer to the RRSP Deduction Limit Statement on your latest notice of assessment or reassessment; call the CRA Tax Information Phone Service; or log into CRA My Account.
- Any **unused contribution** is carried forward to the following year and you can use it as a deduction up to your RRSP deduction limit for that year.
- **If you contribute more than your RRSP limit**, you may be penalized. If the excess amount is \$2,000 or less, you may avoid the penalty, but you can't deduct these excess contributions from your taxable income. For excess contributions over \$2,000, you may pay a 1 percent tax per month unless you: withdrew the excess amounts before the end of the month when the excess contribution was made or contributed to a qualifying group plan. If you determine that you have to pay this 1% tax, you have to send your completed T1-OVP return and pay the tax no later than 90 days after the end of the year in which you had the excess contributions.

Important Facts



- **Your employer's contributions** to your group RRSP are considered as earned and taxable income. However, just like an individual RRSP, contributions towards a group RRSP are also tax-deductible.
- A **Spousal RRSP** can help ensure that retirement income is more evenly split between both of you. The benefit is greatest if a higher-income spouse or common-law partner contributes to an RRSP for a lower-income partner. The contributor receives the short-term benefit of the tax deduction for the contributions and the annuitant, who is likely to be in a lower tax bracket during retirement, receives the income and reports it on their income tax return.
- You **can** claim a deduction for:
 - contributions you made to your RRSP or to your spouse's or common-law partner's RRSP
 - your unused RRSP contributions from a previous year
- You **cannot** claim a deduction for:
 - amounts you pay for administration services for an RRSP
 - brokerage fees charged to buy and sell securities within your RRSP
 - the interest you paid on money you borrowed to contribute to an RRSP
 - any capital losses within your RRSP
- No one can contribute to a **deceased individual's RRSP** after the date of death. However, the deceased individual's legal representative can make contributions to the surviving spouse's or common-law partner's RRSP within the year of death or during the first 60 days after the end of that year.

Withdrawal Rules



You can make a **withdrawal from your RRSP** any time as long as your funds are not in a locked-in plan, but withdrawals will generally be included in your income and subject to tax in the year of withdrawal.

Withdrawals from a **Spousal RRSP** can only be made by the annuitant. If you contribute to a Spousal RRSP in the year of the withdrawal, or the two preceding years - you, not the annuitant, are required to include the withdrawal amount as taxable income.

Your RRSP reaches maturity on the last day of the calendar year you turn 71. If you are **withdrawing after maturity**, you have 3 options.



You can choose to **withdraw all the funds right away**. The withdrawn amount will be subject to withholding tax, which gets taken out of your withdrawal immediately and paid to the government. The amount withdrawn must also be added to your income when filing your taxes.



You can choose to **convert your RRSP to a RRIF** (Registered Retirement Income Fund), which gives you a flow of retirement income, with a minimum amount that must be withdrawn each year. This minimum amount must be included in your taxable income each year but is not subject to withholding tax at the time of the withdrawal. Any amount withdrawn over the minimum amount will be subject to withholding tax.



You can **convert your RRSP to an annuity** which offers a guaranteed income for life or for a specified period. Withholding tax is not applied on amounts that are used to purchase an annuity. You may have to pay tax on the income when you start receiving payments.

Withdrawal Rules (continued)



You can withdraw your RRSP funds on or before **maturity**. Here's what you need to know.

Your financial institution will withhold tax. The rates depend on your residency and the amount you withdraw: 10% (5% in Quebec) on amounts up to \$5,000; 20% (10% in QB) on amounts of \$5,000-\$15,000; 30% (15% in QB) on amounts over \$15,000. For funds held in the province of Quebec, there will also be provincial tax withheld.

→ You must report your withdrawals as income on your tax return.

→ You permanently lose the contribution room you originally used to make your contribution; and you lose out on tax-deferred compounding.

There are situations in which **tax-deferred withdrawals** can be made from your RRSP, such as if the funds are used for the purchase of a home for the first time through the Home Buyers' Plan or for funding education through the Lifelong Learning Plan.

Home Buyers' Plan: You can withdraw up to \$60,000 to put towards your first home without paying withholding tax or including the amount as income, as long as you meet the CRA's eligibility criteria. Repayments to your RRSP begin two years after you withdraw the funds, and you have fifteen years to complete it.

Lifelong Learning Plan: Withdraw up to \$10,000 annually from your RRSP to help pay for full-time education/training for you or your spouse. A maximum lifetime withdrawal is up to \$20,000. The withdrawal is not taxable as long as the funds are paid back to your RRSP over 10 years, typically starting five years after your first withdrawal.

RRSP vs TFSA



A TFSA and RRSP are both great ways to save. The ability to fully benefit from both depends on what your goals are.

A TFSA is a great way to invest for short and long-term goals, but an RRSP is still the best way to save for retirement.

Your Research Capital Corporation advisor can help you decide which plan to use to maximize your investments.

RRSP	TFSA
Contributions to an RRSP are tax deductible and reduce your income for tax purposes.	Contributions to a TFSA are not tax deductible .
Contributions to an RRSP are based solely on earned income .	Contributions to a TFSA are not based on income of any type .
Withdrawals from an RRSP are added to your income and taxed at your current rate.	Withdrawals from a TFSA are tax free.
Unused contribution room in an RRSP can only be carried forward until the year in which you turn 71 .	Unused contribution room in a TFSA can be carried forward indefinitely .
An RRSP must be converted to a RRIF or annuity by the end of the year in which you turn 71.	A TFSA never needs to be converted .
Withdrawals from an RRSP are not added back to your contribution room.	Withdrawals from a TFSA are added back to your contribution room and may be recontributed in the year following the withdrawal.

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Your annual RRSP contribution limit is calculated by the Canada Revenue Agency. If you contribute more than your RRSP limit, you may be penalized.

A negative RRSP account balance can occur when there is not enough cash available in your account to cover a recent transaction or activity. This can result in interest being charged or securities being sold from your account to cover the negative balance.

Assets in a RRSP must be qualified investments under the Income Tax Act. If the RRSP holds non-qualified investments or carries on a business, it could be subject to Canadian tax or penalties. If the RRSP holds foreign securities, it could be subject to withholding tax in the foreign jurisdiction.

