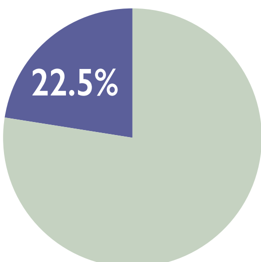
Live *your* dream.


# Simple RRSP Strategies




**Only 22.5% of Canadian tax filers contributed to an RRSP in 2016[1].**

THE LATEST CENSUS DATA (2016) STATES THAT just 22.5% of tax filers in Canada contributed to an RRSP.[1] This seems a bit odd when you review the numerous benefits of RRSP investing, such as tax-deferred growth and the tax deductions from contributions. The RRSP contribution limit is based on 18% of your earned income up to a certain limit. The maximum RRSP dollar contribution limit for the 2018 tax year is $26,230, and the limit for 2019 is $26,500.[2] Depending on unused contribution room from previous years and any pension plans you might have through employment, you may still have contribution room that you can take advantage of.

Since many Canadians do not have the opportunity to contribute to a company pension plan, the RRSP is a great alternative. If you're a high-income earner you have the benefit of deferring taxes on contributions. Rather than paying a high marginal tax rate now based on your current income, you pay tax on withdrawals once you are retired, when you'll benefit from a much lower tax rate.

While you might not hit your RRSP contribution ceiling this year, here are three strategies that can help you take advantage of this saving tool moving forward.

Investment Planning Counsel®
FINANCIAL SOLUTIONS FOR LIFE


## Lump-Sum Contributions

Your RRSP contributions are tax-deductible![1] Yet less than 1/4 of Canadians contribute to RRSPs* and of those who do, the median contribution was about $3,000 in 2016[1], well below the contribution limit. That's lost opportunity to grow your retirement fund.

Check what you contributed last year, versus the actual limit (as set for 2018), and learn what your contribution room is.

**2018 RRSP Contribution Limit = $26,230****

Consider making a lump-sum contribution if you have or expect to have:

- ✓ Bonus at work
- ✓ Tax refund
- ✓ GIC or other investment at maturity
- ✓ A little extra cash on hand

**TIP**

A lump sum does not need to be a large amount of money each year, over time lump-sum payments add up and compound.

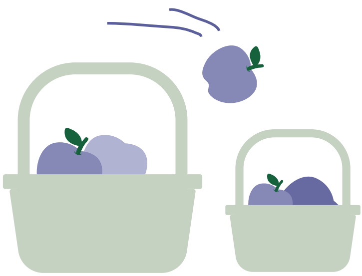

## Automated Contributions

By setting up a monthly RRSP contribution, you allow your investments to grow all year long, and it evens out your portfolio returns should market conditions change. This allows you to take advantage of dollar cost averaging. Choose an amount which fits in well with your budget. Then set it up and forget it. It will keep working for you without any additional effort required by you.

- ✓ Simple
- ✓ Painless
- ✓ Convenient
- ✓ Effective

**TIP**

Setting up a PAD (pre-authorized deposit) directly into a designated RRSP account is the best way to make automatic contributions.

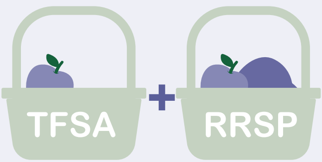


## Spousal RRSP Contributions

Spouses, including common law, can contribute to a spousal RRSP for each other. Keep in mind that overall as a couple you are benefiting, but the funds will be held in the RRSP owner's name. Spousal contributions offer additional tax benefits when:

- ✓ One spouse is in a higher tax bracket than the other.
- ✓ There is a difference in portfolios between the spouses.
- ✓ A person is seeking greater flexibility in retirement income planning.

**BONUS TIP**




## TFSA & RRSP: A Great Combination

A TFSA (Tax-Free Savings Account) is a retirement savings vehicle that works well in conjunction with your RRSP. Saving for the future involves using both your RRSPs and TFSAs. Partnered together they provide the ability to build a solid investment plan. If you've maxed out your RRSP contribution room in a particular year, a TFSA account provides another great way to save for retirement.

Even modest contributions to your RRSP give you long-term, tax-deferred growth. This means you don't pay taxes until you withdraw the funds. A TFSA allows you to contribute up to $5,500 per year, and the investment grows tax-free, meaning you don't pay any additional tax when you withdraw your funds.

### Annual Contribution Limits 2018[2]

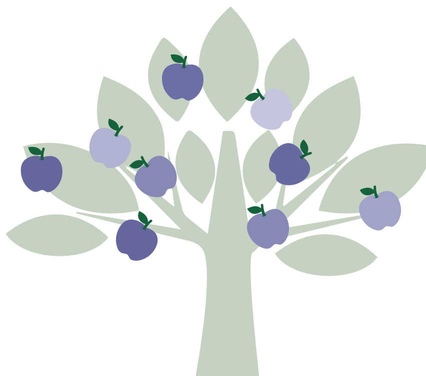
**$5,500 TFSA 2018**

**$26,230 RRSP 2018**

### Annual Contribution Deadlines

**TFSA**
**Dec. 31, 2018**

**RRSP**
**March 1, 2019**



**Planning for your retirement can be overwhelming, especially when you are saving for both short-term and long-term goals.**

**Speak to an IPC Advisor to discuss a customized plan based on your retirement goals.**

Investment Planning Counsel®

FINANCIAL SOLUTIONS FOR LIFE

*Your RRSP contribution lowers your taxable income, so you're reducing the amount of tax you have to pay.
**The RRSP contribution limit varies by individuals, and yours may be less than the government limit.

Sources:


1. Statistics Canada, Table 11-10-0045-01, Registered Retirement Savings Plan (RRSP) room of tax filers.
2. Canada Revenue Agency - cra-arc.gc.ca/tx/rgstrd/papspapar-fefespfer/lmts-eng.html
3. Crano Report: Econometric Models on the Value of Advice of a Financial Advisor, July 2012 (https://www.cirano.qc.ca/pdf/publication/2012RP-17.pdf)




11/18