LONGVIEW
Asset Management Ltd.

REGISTERED RETIREMENT SAVINGS PLAN (RRSP) PRIMER

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- The Canadian government introduced Registered Retirement Savings Plans (RRSPs) in 1957 to be used for long-term retirement planning.
- Contributions to your RRSP are tax-deductible and may help to reduce the total amount of income tax you pay.
- Investment income earned inside an RRSP, including interest, dividends and capital gains, can grow tax-free.
- Withdrawals can be made at any time and are treated as taxable income.
- In the year you turn 71, your RRSP converts to a Registered Retirement Investment Plan (RRIF) – see Longview RRIF Primer.

Contributions

- RRSP contributions can be made up to and including the year you turn 71. Your contribution limit can be found on your Notice of Assessment from the Canada Revenue Agency ("CRA"). As a general rule, contributions limits calculated by the CRA are limited to the lower of: (i) 18% of your prior year's earned income reported on your tax return; or (ii) the Annual Contribution Limit – see table below. Pension adjustments, past service pension adjustments, pension adjustment reversals and unused RRSP, PRPP or SPP contributions at the end of the previous year can also affect your RRSP contribution limit.

RRSP Annual Contribution Limits (C$)							
2024	2023	2022	2021	2020	2019	2018	2017
$31,560	$30,780	$29,210	$27,830	$27,230	$26,500	$26,230	$26,010

Contributions can be made at any time during the year, but those made within the first 60 days of the calendar year can be used to deduct from your earned income in the previous or current tax year. Contributions made after the first 60 days of the calendar year can be used to deduct your earned income in the current tax year. Unused contribution room can be carried forward and used in future years.

Withdrawals

- You can make a withdrawal from your RRSP at any time as long as your funds are not in a locked-in plan.
- The amount of the withdrawal will be added to your earned income for the year and be subject to income tax in the year of withdrawal. Usually, a portion of the withdrawal will be withheld by the CRA.
- Unlike withdrawals from a Tax-Free Savings Account, withdrawals from RRSPs cannot be added back to future contribution room. Exceptions are made for withdrawals related to Home Buyers' Plan and the Lifelong Learning Plan – see Pro Tips.

Estate Planning

- For estate planning purposes, you can name one or more Beneficiaries for your RRSP, a well as Contingent Beneficiaries.
- If the Beneficiary is your spouse or partner, or your child or grandchild who is dependent on you because of a physical or mental infirmity, the proceeds of the RRSP may be transferred to the Beneficiary's registered plans (such as an RRSP or a RRIF) and the Beneficiary can defer the tax until the funds are withdrawn.
- If, at the time of your death, your primary Beneficiary is deceased, the funds in your RRSP can be transferred to any named Contingent Beneficiary without probate.

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FREQUENTLY ASKED QUESTIONS (FAQs)

How is an RRSP different from a TFSA?

- Both types of accounts are powerful in helping you to build long-term wealth. However, there are some key differences worth noting. Unlike a TFSA:

    - You need earned income to create contribution room in an RRSP.
    - Depending on your earned income, annual contributions to an RRSP can be significantly larger.
    - Contributions to an RRSP are tax-deductible.
    - Withdrawals from an RRSP are considered taxable income and cannot be added to future contribution room.
    - An RRSP must be closed and converted to a RRIF at age 71 (or as early as age 55) and funds must then start being withdrawn by the end of the year in which you turn 72 – see Longview RRIF Primer.

At what age am I eligible to contribute to an RRSP?

- There's no minimum age required to open an RRSP. You can set-up and contribute to an RRSP up to the end of the year you turn 71 as long as you are a Canadian resident, have earned income and file a tax return.

What happens if I overcontribute to my RRSP?

- If you over-contribute to your RRSP by $2,000 or less, you won't be penalized. However, you cannot deduct the excess contribution from your taxable income.

- Over-contributions in excess of $2,000 are penalized and subject to a tax of 1% per month. Over-contributions must be reported to the CRA within 90 days after the last day of the tax year when they were made. Reports filed after that deadline may be subjected to an additional late-filing penalty (equal to 5% of the taxes owed plus an extra 1% for every month, to a maximum of 12 months) and interest charges.

When is the RRSP contribution deadline for the previous tax year?

- Contributions may be used to reduce your prior year's income if they are made either within the tax year or within the first 60 days of the next year (e.g. by February 29, 2024 for your 2023 tax return).

What types of investments can I own in a RRSP?

- You can own a wide variety of investments including cash, cash equivalents and securities listed on qualified exchanges, including bonds, stocks, exchange-traded funds, mutual funds and options.

What is a Spousal RRSP?

- Spousal RRSPs are typically opened as an income-splitting strategy in retirement, as well as a retirement savings strategy for a lower income-earning spouse. For Spousal RRSPs, the contribution limit is that of the contributing spouse, whose income is typically higher. The contributing, higher income-earning spouse receives the tax deduction for the contribution and the fund grows within the plan to save for the lower income-earning spouse's retirement.

- After the Spousal RRSP has converted to a RRIF, the withdrawals are treated as income and taxable in the hands of the lower income-earning spouse, thereby reducing the household's combined tax burden.

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PRO TIPS

Optimize Deductions

- You can carry-forward your unused RRSP contribution room from years of lower income and use it in future years when your income may be higher. This can help you benefit from tax savings when you are in a higher tax bracket.

Finance your First Home or Education

- You can withdraw money from your RRSP without being immediately taxed, if it is used to pay for your first home or education, under the Home Buyers' Plan (HBP) or Lifelong Learning Plan (LLP).
    - HBP – allows you to withdraw up to $60,000 from your RRSP tax-free to buy or build a qualifying home in Canada that is designated as your principal residence. To avoid penalties, amounts withdrawn between January 1st, 2022, and December 31st, 2025, must be repaid to your RRSP at a minimum rate of 1/15 of the amount withdrawn annually starting the fifth year following the year of withdrawal.
    - LLP – allows you to withdraw up to $20,000 from your RRSP tax-free to cover the cost of full-time studies for yourself or your spouse. To avoid penalties, amounts withdrawn must be repaid to your RRSP as an LLP repayment at a minimum rate of 1/10 of the amount withdrawn annually.

Over-Contribute at Age 71

- In the year you turn 71, you may have earned income which could generate additional RRSP contribution room next year when you are 72. However, because you can no longer contribute to your RRSP when you are 72, the contribution room gets 'lost'. To recapture this lost contribution room, you can over-contribute to your RRSP before you convert it to a RRIF. You will have to pay a small penalty, but could potentially benefit from a large RRSP deduction and tax-deferral.
    - Example: You are 71 years old and your RRSP contribution limit for the next calendar year is $25,000 based on this year's earned income. You may want to contribute the amount in December. Assuming that you have not used up your allowed $2,000 lifetime overcontribution amount, you will have a one-time over-contribution penalty for one month of $230 (($25,000 – $2,000) x 1%). On January 1 of next year, the RRSP you made in December will no longer be considered an over-contribution because you will receive new contribution room based on your earned income from this year. It is likely that the taxes saved by deducting the contribution on your tax return and the benefit of tax deferral and compounded growth will outweigh the one-month penalty.
- If you are 71 or older, but have a younger spouse, you can still make an RRSP contribution to a spousal RRSP as long as your spouse is 71 or younger at year-end and you have RRSP contribution room. You can claim a deduction for the spousal RRSP contribution when you file your tax return.

Minimize Taxes

- For Canadian residents, dividends on some international stocks, including U.S. stocks, are subject to withholding tax (e.g. 15% of the dividend). There is no dividend withholding tax in an RRSP, unlike a TFSA, making it the ideal place for such stocks.

Contact Us:

Adriana Cano | acano@longviewasset.com   Denise Fernandes | dfernandes@longviewassets.com   Samantha Padure | spadure@longviewassets.com