

Understanding RRSPs

A Registered Retirement Savings Plan (RRSP) is a government-approved plan through which you save money for your retirement years. Your contributions, within limits, are tax deductible, and the income earned is tax sheltered.

Anyone with "earned income" subject to Canadian taxation, including non-residents, may contribute to an RRSP. Contributions can be made until the end of the year in which the plan holder's 71st birthday occurs.

RRSP Deduction Limits

Your Notice of Assessment from the Canada Revenue Agency, received after filing your tax return, will state your RRSP deduction limit for the following year. This information is also available in *My CRA Account*. The amount will depend on whether you are a member of a pension plan, and if you are, the type of pension plan.

If you do not have a pension plan, the maximum you can contribute each year is equal to 18% of your earned income for the prior year, up to a government-determined maximum. For 2017, the maximum is \$26,010.

Carry Forward Deduction Room

You can carry forward unused deduction room. This applies whether or not you actually make a contribution. Your Notice of Assessment from CRA records any cumulative deduction room in determining your maximum RRSP deduction for the current year.

Contribution Deadline

You may contribute at any time during the year. Contributions made during the first 60 days of any year may be deducted for the current or the immediately preceding taxation year.

Borrowing for an RRSP

You can borrow funds to make a contribution to an RRSP, however you cannot deduct the interest on money you borrow. Your credit union investment advisor can help you determine if borrowing to contribute to an RRSP is a good option for you.

TYPES OF RRSPS

There are three basic types of RRSP plans:

- **Deposit-Type Plans**
These are the most common plans. They offer familiar savings options including saving accounts, term deposits or guaranteed investment certificates.
- **Mutual Funds**
There are many types of mutual funds available. Common types are money market funds, income funds, equity funds and balanced funds.
- **Self-Directed Plans**
Self-directed plans are suitable for those with considerable investment experience and ample time to manage the funds, or for those who want all their RRSP investments within one plan. With this kind of plan, you can make your own investment decisions within a wide range of qualified investments.



The information in this publication is summary in nature and does not constitute legal or financial advice. This brochure is provided by your local credit union and is designed to inform you about RRSPs. For more information about these or any other financial product, please contact our knowledgeable staff.



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