TFSA OR RRSP?

Understanding and Selecting the Best Savings Account Option for You

	TAX-FREE SAVINGS ACCOUNT (TFSA)	REGISTERED RETIREMENT SAVINGS PLAN (RRSP)
Overview	A flexible way for Canadians 18 and older to save. You can use a TFSA to put aside money free of tax for life goals, or to set up an emergency fund. Since withdrawals are not taxable, more money stays in your pocket now and is there when you need it.	A savings plan that lets you defer taxes while you save towards retirement. You can deduct RRSP contributions to decrease your taxable income, which means more cash in your pockets for the future.
Deadlines	DECEMBER 31 of current year	MARCH 1 for the previous tax year
Best Used For	Achieving your goals, building an emergency fund, topping up your retirement savings.	Planning for retirement, buying your first home, financing or returning to school.
Advantages	• TAX-FREE INVESTMENT INCOME: Your TFSA contributions and the income generated are not taxable – making the TFSA one of the best Canadian tax shelters. • CUMULATIVE CONTRIBUTIONS: If you don't reach your limit, your unused contribution room is carried forward to the next year. • TAX-FREE WITHDRAWALS: You can withdraw from your TFSA without paying taxes. Withdrawn amounts are then added back to your contribution room for the next calendar year. • NO IMPACT ON GOVERNMENT BENEFIT ELIGIBILITY: Since withdrawals aren't taxable, they do not affect government benefits and credits that are based on income.	• LESS TAXABLE INCOME: The contributions you make in an RRSP is deductible, which means you can decrease your taxable income and, if applicable, potentially maximize certain government benefits. • CUMULATIVE CONTRIBUTIONS: If you do not reach your limit, your unused contribution room is carried forward to the next year. • TAX-SHELTERED EARNINGS: Your investment income is not taxed until you make withdrawals. • SPOUSAL RRSP CONTRIBUTIONS: When you contribute to your spouse's RRSP, you benefit from the tax deduction (even if you are not the annuitant).
Contribution Limit	The annual contribution limits are: • 2009 TO 2012: $5,000 • 2013 TO 2014: $5,500 • 2015: $10,000 • 2016 TO 2018: $5,500 • 2019 TO 2021: $6000 If you are a Canadian resident, have never contributed to a TFSA, and were 18 or over in 2009, your cumulative contribution room is $75,500 for 2021. Please confirm on the CRA website if in doubt of your cumulative contribution.	There is an annual contribution limit of: 18% OF INCOME EARNED WITH MAXIMUMS FOR THE CURRENT TAX YEAR, WHICH IS $27,830 FOR 2021. Please be advised that this limit is changing and is specific to the calendar year. The CRA website has all the most up-to-date limit information for you to check if in doubt. If you want to verify your cumulative contribution room, this can be found on your Notice of Assessment once taxes are filed or on the CRA website.
Unused Contribution Room	This is the unused portion of your maximum annual contribution that has accumulated since 2009 and that you can carry forward for future years.	This is the unused portion of your maximum annual contribution that has accumulated since 1991 and that you can carry forward to future years.
Excess Contributions	THIS IS NOT PERMITTED.	THERE IS A LIMIT OF $2,000 OVER YOUR AVAILABLE CONTRIBUTION ROOM WITH PENALTIES APPLYING BEYOND THIS AMOUNT.
Contributing to Spouses Plan	You cannot contribute to your spouse's account, but you can give your spouse money to invest in their TFSA.	You can contribute to your spouse's plan and have the contribution deducted from your taxable income, even if you are not the annuitant.
Tax Implications	• Contributions ARE NOT deductible from your taxable income • Withdrawals ARE NOT taxed • Investment income DOES NOT become taxable when withdrawn • There IS NO taxation at death and your spouse can add your balance to their TFSA after your death without affecting their contribution room	• Contributions ARE deductible from your taxable income • Withdrawals ARE taxed • Investment income DOES become taxable when withdrawn • There IS taxation at death unless your RRSP is transferred to your spouse, to a minor dependent child or to a dependent disabled child, through your will or otherwise
Impacts of Withdrawal	Since withdrawals are not included in taxable income, they have no impact on government benefits and credits that are based on income. TFSAs are more flexible and allow you to withdraw money when you want. Any money you withdraw will free up new contribution room the following year.	Since withdrawals are included in taxable income, they reduce government benefits and credits that are based on income. Funds withdrawn from your RRSP cannot be paid back, except under the Home Buyer's Plan (HBP) or Lifelong Learning Plan (LLP).

What is a RRIF?

A registered retirement income fund (RRIF) is designed to provide retirees with a constant flow of income from the savings in their RRSPs. The account must be established before you turn 71 and regular withdrawals must be made according to a pre-arranged schedule. While earnings in RRIFs are not taxed, the RRIF payouts are considered a part of your normal income and are taxed in the year of the payout.

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