

# RRSP quick facts

ScotiaMcLeod®, a division of Scotia Capital Inc.

## Who can contribute to an RRSP?

- < If you have earned income, you can contribute to an RRSP up until the year you turn 71.
- < Contributions made in the first 60 days of 2018 can be applied against either your 2017 or your 2018 contribution.

## How much can you contribute?

	Take the Lesser of		(-) Minus		(+) Plus	
Tax year 2017	18% earned income from 2016	or Maximum limit \$26,010	PA* from 2016	PSPA* from 2017	Unused contribution room accumulated after 1990	PAR* from 2017
			If member of a pension plan			

\*Pension Adjustment, Past Service Pension Adjustment, Pension Adjustment Reversal

- < You can also check your limit on the Notice of Assessment that the Canada Revenue Agency sent you after processing your tax return. Your RRSP contribution limit is noted there, including any unused room.
- < The Tax Information Phone Systems (TIPS) will also give your current contribution limit - Toll Free Number 1-800-267-6999. You must have your SIN and your previous year's tax return handy.

## Contributing in-kind

- < If you don't have the cash available to make your contribution, you can contribute securities you hold outside of your RRSP
- < Your "in-kind" contribution will be equal to the fair market value of the security when it is contributed.
- < Contributions of securities are considered deemed dispositions; therefore, any capital gains must be reported. Losses cannot be claimed.

## Over-contributions

- < You can over-contribute to your RRSP up to \$2,000 (lifetime). While this is designed as a "cushion", many investors purposely make the over-contribution in order to have the extra funds working for them, tax-sheltered.
- < The penalty for over-contributing beyond the \$2,000 limit is 1% on the excess amount per month.
- < The excess amount may be withdrawn (in cash or in kind) if the over contribution was accidental.
- < The over-contribution can be used as deductions in future years.

## Investing

- < Canadian investors have the option to invest up to 100% of their retirement plans into foreign securities, without penalty.
- < Opportunities for money managers to seek out the best investment opportunities wherever they exist is wonderful news for Canadians and provides the opportunity for greater diversity and more attractive risk-adjusted returns.

## Spousal RRSPs

- < All or a portion of your contribution can be made to a spousal plan (which is in your spouse's name), but as the contributor, you get the deduction.
- < Contributing to a spousal RRSP can be an effective way of income splitting, since the income that will be eventually withdrawn from the RRSP will be taxed in the hands of the spouse, who will be in a lower tax bracket.
- < Attribution rules state that any funds withdrawn from a Spousal RRSP in the year of, or two years following a spousal contribution must be taxed in the hands of the contributor. The amount taxable will be the lesser of the amount withdrawn or the contribution amount.

## Contribution carry forwards

You can carry forward unused contribution room from 1991 onwards. This means that if you did not make your maximum contribution in any year since then, the leftover amount can be added to your current contribution limit.

## When you turn 71

- < You must collapse your RRSP funds by December 31st of the year in which you turn 71.
- < If you are eligible to make a contribution, you must do so by December 31st (not the first 60 days of the next year).
- < Once you have collapsed your RRSP, you can still make contributions to a spousal RRSP provided your spouse is age 71 or younger and you continue to have earned income.

## Retirement income options: you have three options when collapsing your RRSP

1. Roll your funds into a Registered Retirement Income Fund (RRIF)
2. Purchase an annuity
3. Take your RRSP savings in one lump sum payment

The third option is generally not advisable since cashing in your RRSP means being taxed on the whole amount, which could result in a hefty tax bill. Converting to a RRIF is the right choice for most investors, because a RRIF is the most flexible of your retirement income options.

If you are turning 71 this year, or are interested in additional information on RRIFs or annuities, talk to your Scotia Wealth Management relationship manager.