FINANCIAL WISDOM
- WEALTH BUILDER -

January 2025

More Overlooked RRSP Tricks

More than 65% of Canadians have made deposits to Registered Retirement Savings Plans (RRSPs). Many do so just for the tax savings, but here are some often overlooked tricks you should be aware of:

RRSP loans – Those who use investment funds for their RRSPs should be well aware of the strategy of 'buying low and selling high.' As unnerving as it may feel, one of the best times to make a lump sum deposit is after there has been a substantial stock market correction. If you don't have the cash on hand, an RRSP loan, paid back monthly, is an attractive way to come up with a larger deposit.

Use refunds wisely – Many RRSP contributors receive tax refunds each year. All too often, the refund gets blown on consumer items. Why not endorse the cheque directly over to your RRSP carrier and get a head start on next year's contribution? How about a deposit to an RESP for your child or grandchild that would be eligible for the 20% Canadian Education Savings Grant (CESG)? Have you thought about using it to pay down credit card or other high interest consumer debt?

Don't wait for your RRSP tax break – If you are making regular deposits to your RRSP (e.g. monthly PAC deposits), you can complete and file a TD1 or T1213 to reduce the taxes withheld from your paycheque. This allows your employer to deduct your RRSP contribution amount from your income before income taxes are calculated, giving you an instant tax deduction. Why let the government use your money interest free?

Delay the deduction – A few weeks after you file your tax return, you receive an Income Tax Assessment from Canada Revenue Agency (CRA). It summarizes your income and deductions, and also tallies your RRSP contribution room. If you come into a windfall, you can deposit up to your contribution room from it into an RRSP. You are not required to take the full deduction on your next tax return. It can make a difference to wait until a later year when you reach a higher tax bracket so you can benefit from a larger tax savings. In the meantime, your RRSP deposit can grow tax deferred.

Name a beneficiary - If you don't name a person (or persons) as a beneficiary for your RRSP account, the funds will be paid into your estate on death. A spouse may lose the opportunity to elect a tax-free rollover into their RRSP or RRIF. Also, the funds then become subject to the costs and delays of having them settled through your estate. It makes sense to review your designations regularly and make changes when necessary.

Use up a deceased's Contribution Room – Jessica, as a new widow, completed and filed a terminal tax return for her husband, Andrew. She received his life insurance proceeds and he had lots of unused RRSP contribution room. Andrew had earned about $60,000 in salary in the year of his death. Jessica was able to make a large contribution to her spousal RRSP with Andrew as the contributor. As she was able to reduce his taxes to zero, all the income taxes withheld during the year were refunded. She then deposited the refund into her own RRSP.

We can help with any retirement questions that you may have!

Grant Simpson, CMA
Global Maxfin Investments Inc.
Ph: 250.999.6935 - https://www.grantsimpson.ca - mailto:grant@acncanada.net

The rate of return is used only to illustrate the effects of compound growth and is not intended to reflect future value of an investment fund or returns on an investment fund.