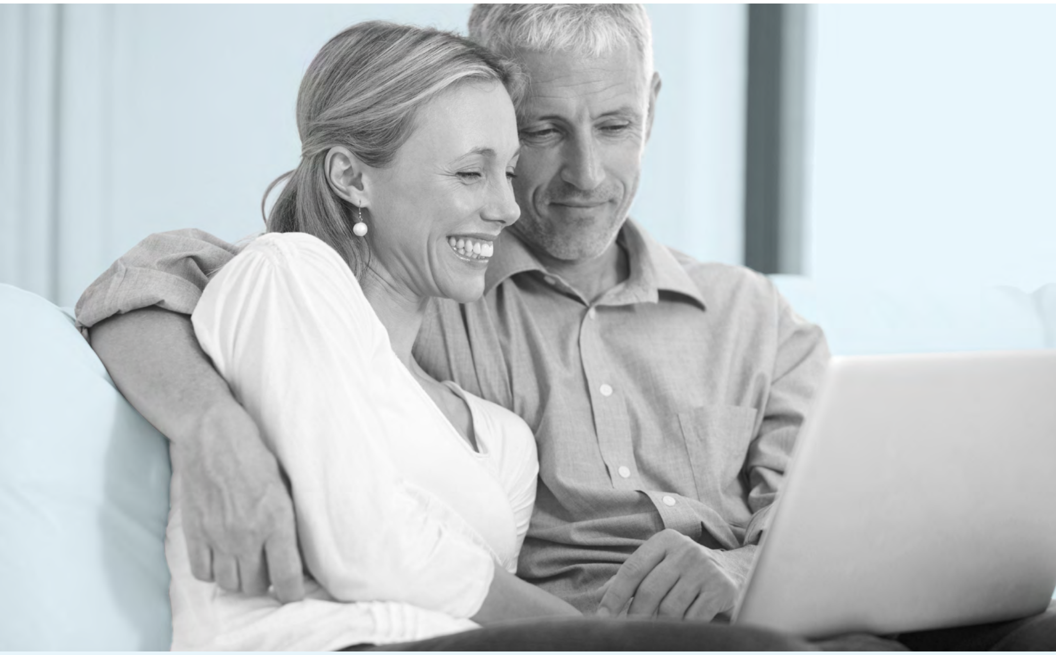
SECURITIES

RRSP

Save on taxes now.

See more growth long term.

iA Securities



The benefit of a Registered Retirement Savings Plan (RRSP) is simple: by setting aside income for retirement, you can reduce your income tax now, deferring payment of those taxes until you stop working. This enables your RRSP savings to grow – tax-free and through compounded growth – until you need them.

The basics

What you need to know about RRSPs

Tax-advantaged earnings

RRSPs allow you to deduct the amounts contributed to your (or your spouse's) plan from your taxable income so you pay less tax. Plus, no tax is paid on any investment income, dividends or capital gains on holdings within your RRSP.

Compounded growth

Because all of the financial gains within your RRSP grow tax-deferred until you retire, the earlier you start saving and the longer you contribute, the more your money is likely to grow.

At what age and for how long should you contribute to your RRSP? Compounded growth – in other words, tax-deferred growth over many years – is the way to go, as the following chart illustrates.

Investor 1	Investor 2	Investor 3
Invests $1,000 a year from age 18 to 27 (10 years)	Invests $1,000 a year from age 41 to 65 (25 years)	Invests $1,000 a year from age 18 to 65 (48 years)
Value at 65: $291,402	**Value at 65: $78,954**	**Value at 65: $529,343**

The above examples assume an 8% yearly rate of return and a $1,000 contribution at the start of each year. Investment growth and final results do not reflect transaction-related taxes, fees and expenses. These investment assumptions are provided as an example only. In no way do they guarantee the yield of an investment. The actual yearly rate of return and the investment value may vary based on market conditions.

Contribution limit

As the chart shows, the more you put away, the more you have in the long run. But there is a limit to how much you're allowed to contribute to your RRSP each year. As of 2018, it's 18% of your prior year's earned income up to a maximum of $26,230 less your pension adjustment (PA) and past service pension adjustment (PSPA).

Age limit

The year you turn 71 is the final year you can contribute to your RRSP. If you and your partner share a Spousal RRSP, you can contribute until the year your spouse turns 71.

1

An Individual RRSP is registered in the name of the contributor who pays into the plan and uses contributions to reduce personal income taxes.

2

A Spousal RRSP assists couples with unequal savings or income by allowing them to shift retirement savings from the spouse with the higher income and tax rate to the one with the lower income and tax rate.

3

A Group RRSP, offered by many employers, is a grouping of personal RRSPs administered on behalf of the employees. Contributions are deducted from each pay, with employers often contributing or matching the employee's contribution.

FAQ5

Five questions and answers about RRSPs

1 How much should I contribute to my RRSP?

While there's no hard and fast rule, contributing about 12% of your pre-tax income each year is recommended, up to a maximum of 18% of your income. The goal for most people should be to contribute enough so that when you retire, you can maintain the same lifestyle you enjoyed while you were working.

2 If I don't use my full contribution room in a given year, do I lose it?

No. If you don't maximize your contributions, you can carry forward any unused deduction room indefinitely. Your carry-forward amount is noted on your Notice of Assessment from Canada Revenue Agency.

3 What if I max out my RRSP contributions for the year?

Contributions made in the first two months of the year can be declared for either tax year. If, for example, you don't want the contribution included on your current tax return, simply wait and include the amount on the following year's tax return.

4 What happens to my RRSP holdings when I retire?

In the year you turn 71, your RRSP account is closed and the funds are converted into a source of retirement income in the form of a Registered Retirement Income Fund (RRIF), annuity or a lump-sum cash withdrawal.

5 Can I use my RRSP holdings for something other than my retirement?

Yes. You can withdraw up to $25,000 tax-free through the Home Buyers' Plan (HBP), for a down payment on your first home. You can also withdraw up to $10,000 tax-free per year through the Lifelong Learning Plan to finance full-time training or education for you, your spouse or common-law partner. In both cases, the borrowed funds must be repaid to your RRSP account within a given period of time.

Did you know?

Many people mistakenly think they're "investing in an RRSP" when in fact they're actually buying products to contribute to their RRSP account.

An RRSP account can contain any number of investment products, including cash, mutual funds, guaranteed investment certificates, stocks, exchange-traded funds, mortgages and bonds.

$39.2 billion The amount Canadians contributed to their RRSP accounts in 2015.

$3,000 The median RRSP contribution in 2015.

$1.091 trillion The total value of assets in RRSP accounts in 2017.

(Source: https://www.statcan.gc.ca/daily-quotidien/170224/dq170224b-eng.htm)

Notes

It's important to have a solid investment strategy so you can retire comfortably. Speak to an iA Securities Investment Advisor to learn more.

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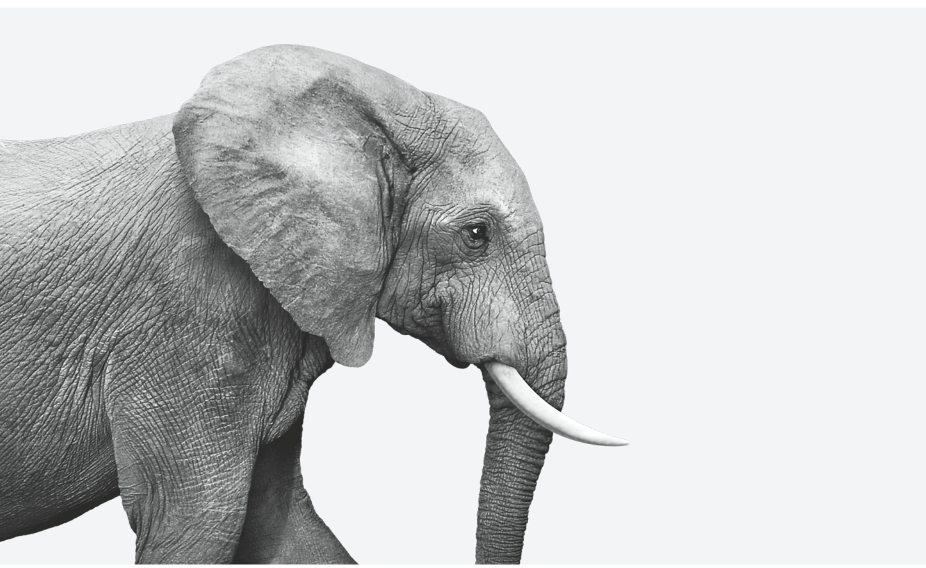

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