Registered Retirement Savings Plan (RRSP)

Concentra TRUST

Provincial CREDIT UNION

2025

Table of contents

What is an RRSP?

The Registered Retirement Savings Plan (RRSP) was introduced in 1957 by the federal government to motivate Canadians to save for retirement. There are no limits to the number of RRSP contracts an individual may have. Contributions to an RRSP reduce an individual's income tax payable and allow the savings to grow on a tax-deferred basis.

A primary tax minimizing strategy of using an RRSP is that individuals can make tax deductible contributions when they are working, presumably while in a higher tax bracket, and then make withdrawals, which are taxable, when they are retired and presumably in a lower tax bracket. RRSPs allow tax to be deferred, not avoided.

Benefits

- Contributions to an RRSP are tax-deductible, meaning the amount contributed lowers taxable income. RRSP deductions can be claimed in the current year, a future year, or, if made during the first 60 days of the year, may also be claimed for the previous year.
- Savings grow tax-deferred.
- Ability to use funds in an RRSP to purchase a home or pay for education.

Who is eligible to contribute to an RRSP?

An individual must have:

- earned income;
- a social insurance number; and
- filed an income tax return.

Spousal RRSP

A spousal RRSP is an RRSP opened in the name of one spouse/common-law partner (CLP) as annuitant, while the annuitant's spouse/CLP makes the contributions. The annuitant becomes the legal owner of those funds and will make all the investment decisions under that RRSP, as well as authorize any transfers or withdrawals. When a contribution is made to a spousal RRSP contract, the contributing spouse/CLP claims the contribution as a deduction on their income tax return.

Contribution guidelines

Limits

The RRSP deduction limit for an individual is calculated as follows:

- Unused RRSP deduction room from previous years
- **Plus** the **lesser** of 18% of earned income for the previous year and maximum annual contribution dollar limit for the taxation year
- **Plus** pension adjustment reversals for current year
- **Less** the sum of the individual's pension adjustment for the previous year and net past service pension adjustment

An individual's RRSP deduction limit can be found on their Canada Revenue Agency notice of assessment. Annuitants are responsible for tracking their contribution amounts each year across all financial institutions in which they hold an RRSP.

For a spousal RRSP, the contributing spouse/common-law partner (CLP) may contribute all or a portion of their RRSP deduction limit to a spousal RRSP. When a contribution is made to the spousal RRSP, only the contributing spouse/CLP's contribution room is affected; there is no reduction in the annuitant's contribution room.

Deadlines

RRSP deposits can be made at any time of the year, but there are two distinct contribution periods - the 60-day period and the 305-day period.

The 60-day period is from January 1 to March 1, or in a leap year it is from January 1 to February 29. If the 60th day falls on a Saturday or Sunday, the deadline for contributions is extended to the following Monday. Contributions made during the 60-day period may be deducted in the prior taxation year, the current taxation year or a future taxation year.

The 305-day period covers the remainder of the calendar year after the 60-day period. Contributions made during the 305-day period can be deducted in the current taxation year or a future taxation year.

Contribution receipts

Contribution receipts (sometimes referred to as official receipts) are issued for all contributions to the RRSP. Contribution receipts for spousal contributions are issued in name of the contributor, not the annuitant.

The contribution receipt must be filed with the contributor's income tax return for the tax year the contribution is made, even if the deduction is not taken in that year.

Overcontribution

If an individual's contributions to their RRSP and/or a spousal RRSP exceed their RRSP deduction limit, they will have an excess contribution. An individual is permitted to have an excess contribution up to $2,000; however, excess contributions over $2,000 are generally subject to a 1% per month penalty tax on the excess amount.

Transfers

Transfer in

Amounts commonly transferred to an RRSP include the following:

- another RRSP of the annuitant
- a Tax-Free First Home Savings Account (FHSA) of the annuitant
- a Registered Retirement Income Fund (RRIF) of the annuitant who is under the age of 71
- a locked-in plan, where legislation permits such transfers
- RESP accumulated income payment
- under certain situations, from the annuitant's retiring allowance, Registered Pension Plan (RPP), Deferred Profit-Sharing Plan, Saskatchewan Pension Plan and foreign pensions

Transfer out

Eligible amounts held in an RRSP may be transferred to:

- another RRSP for the annuitant
- an annuity for the annuitant
- a RRIF for the annuitant
- an FHSA for the annuitant
- a locked-in plan, where legislation permits such transfers
- under certain situations, the annuitant's RPP

Relationship breakdown

- Amounts held in an RRSP may be transferred directly to a RRIF or RRSP of the annuitant's spouse/common-law partner (CLP) in the event of a relationship breakdown, as required by a decree, order, judgment of a court, or under a written separation agreement.
- Amounts held in an eligible registered plan (such as RRSP, RRIF, FHSA, etc.) of the annuitant's spouse/CLP may be transferred directly to an RRSP in the event of a relationship breakdown, as required by a decree, order, judgment of a court, or under a written separation agreement.

Withdrawals

RRSP withdrawals are included in the annuitant's taxable income for the year the funds are withdrawn. However, where amounts are withdrawn from a spousal contract and the contributor made contributions to any RRSP in the year of withdrawal or the two preceding years, the contributor must report all or a portion of the withdrawal in their income.

The RRSP deduction room is not restored once funds are withdrawn.

Withholding tax

Tax must be withheld at the time of the withdrawal. The resident withholding tax rates are:

$5,000 or less	**10%**
$5,000.01 - $15,000	**20%**
$15,000.01 or more	**30%**

The non-resident withholding tax rate is 25%, unless there is a tax treaty between Canada and the annuitant's country of residence that provides for a different tax rate.

Withdrawal of overcontributions

When an excess contribution is withdrawn, the contributor must include the amount as income on their income tax return. An offsetting deduction is allowed if certain conditions are satisfied.

Tax must be withheld from the withdrawal, unless provided with Canada Revenue Agency authorization to have the funds withdrawn with no tax withheld.

Home Buyers' Plan (HBP)

The HBP allows RRSP annuitants to withdraw a maximum of $60,000, with no tax withheld, from their RRSP to buy or build a qualifying home for themselves or a related person with a disability.

Eligibility

An annuitant must meet the following conditions to participate in the HBP:

- resident of Canada
- first-time home buyer - did not occupy a home that was owned by the annuitant or the annuitant's current spouse/common-law partner (CLP) and live in it as a principal place of residence for 4 full years prior to withdrawal to 31 days before the time of withdrawal
  - there could be an exception for the first-time home buyer requirement for individuals with a disability, or assisting a related person with a disability, or living separate and apart from their spouse/CLP due to relationship breakdown

- must have a written agreement to buy or build a qualifying home for themselves or for a related person with a disability
- intend to live in the home as their principal residence within 1 year after buying or building the home (or related person with a disability must occupy the qualifying home as their principal residence within 1 year of buying or building)

An annuitant who has previously participated in the HBP may participate again if their HBP balance is zero and they meet all HBP conditions again.

Repayment

Amounts withdrawn must be repaid to the annuitant's RRSP over a 15-year period. Any amount not repaid when due must be included in the annuitant's income for the year.

Lifelong Learning Plan (LLP)

The LLP allows an RRSP annuitant to withdraw a maximum of $10,000 in a calendar year to finance their education or the education of their spouse/common-law partner (CLP). The total amount withdrawn cannot exceed $20,000 over 4 years. No tax is withheld on the withdrawal.

Eligibility

An annuitant must meet the following conditions to participate in the LLP:

- resident of Canada at time of withdrawal
- use funds to finance own or spouse/CLP's education
- enrolled in a qualifying educational program offered by a designated educational institution as a full-time student (individuals with a disability may be enrolled as a part-time student)

An annuitant who has previously participated in the LLP may participate again if their LLP balance is zero and they meet all LLP conditions again.

Repayment

Amounts withdrawn must be repaid to the annuitant's RRSP over a 10-year period. Any amount not repaid when due must be included in the annuitant's income for the year.

Beneficiary designation

The annuitant may designate one or more primary beneficiaries to receive RRSP proceeds upon their death, as well as one or more alternate beneficiaries, should the primary beneficiaries predecease the annuitant or refuse the designation.

RRSP contracts do not permit successor appointments; however, if the spouse/common-law partner is designated as a beneficiary, they have the option to transfer the funds to their RRSP or RRIF.

If no beneficiary is designated on the RRSP contract, funds are paid to the deceased annuitant's estate.

Note: Beneficiary designations are not available in Quebec.

Plan maturity

The annuitant must terminate the RRSP or transfer the RRSP to a retirement income option prior to December 31 of the year they turn age 71. There are no restrictions to converting the RRSP prior to this maturity date.

Death of the annuitant

As a general rule, the fair market value of the RRSP is included in the deceased annuitant's income for the year of death. Income earned after death is taxable to the beneficiary(ies) or to the estate if no beneficiary has been designated.

However, there are options to continue the tax-sheltered status of the funds if the deceased annuitant's spouse/common-law partner or financially dependent child or grandchild is the beneficiary.

Locked-in RRSP, Locked-in Retirement Account (LIRA) and Restricted Locked-in Savings Plan (RLSP)

Locked-in RRSPs, LIRAs and RLSPs are RRSP contracts that contain locked-in funds transferred from a Registered Pension Plan and are governed by the applicable federal or provincial pension legislation. Locked-in accounts are designed to preserve funds for retirement income. Unlike regular RRSPs, which can be withdrawn at any time, locked-in funds cannot be withdrawn before retirement age, except in special circumstances as permitted under the relevant legislation.