

# Comparing RRSPs & TFSAs

Canadians have two options for saving for their future: Registered Retirement Savings Plans (RRSP) and Tax Free Savings Accounts (TFSA). There are a number of important differences between RRSPs and TFSAs. Knowing the differences will help you make the most of your savings plan.

## Registered Retirement Savings Plan (RRSP)

A Registered Retirement Savings Plan is a savings plan designed to both encourage and help Canadians save for retirement. Contributions to an RRSP are tax deductible, meaning that when you make a contribution to an RRSP, you are reducing your taxable income by the amount of money you contribute to the plan.

If you withdraw funds from an RRSP, the amount withdrawn will be added to your income in the year of the withdrawal and taxed at your marginal tax rate. As a result, RRSPs are normally treated as long-term investments.

## Tax-Free Savings Account (TFSA)

A Tax Free Saving Account is an account in which investment or interest income is earned tax-free. Since contributions are made from funds that have already been taxed, there is no tax payable when money is withdrawn from a TFSA.

TFSA contribution room accumulate every year. For 2016, the limit is \$5,500. When you contribute less than the maximum annual contribution, the difference is referred to as the unused contribution room. Contribution room is cumulative—that is, any unused contribution room at the end of the year is carried over to the next year. As of 2016, total TFSA contribution room is \$46,500.

## Which One is Right For You?

It's not always an either/or choice. RRSPs and TFSAs can be used together to build a savings plan that's right for you. We recommend speaking with a credit union investment advisor, who can review your financial circumstances and help you build a personalized savings plan.

### MONTHLY DEPOSITS – CONVENIENCE THAT MAXIMIZES YOUR RETURNS

Maximize your money by making monthly deposits to your RRSP and TFSA. This approach makes it easier to budget for contributions, and has the added benefit of earning more tax-sheltered interest or investment income each and every month. In the long run, this can make a real difference in the growth of your investments. Speak with your credit union about setting up an automatic funds transfer today.

The information in this publication is summary in nature and does not constitute legal or financial advice. This brochure is provided by your local credit union and is designed to inform you about TFSAs and RRSPs. For more information about these or any other financial product, please contact our knowledgeable staff.



© HANDS & GLOBE Design is a registered certification mark owned by the World Council of Credit Unions, used under license.  
© 2016 Canadian Credit Union Association. All rights reserved.