RBC Guaranteed Investment Funds

Comparing Tax-Free Savings Accounts and Registered Retirement Savings Plans

A smart combination to help you meet your savings goals

Maximizing your investment accounts to reach your goals

At RBC Insurance®, we can help you understand and make the most of your Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP).

- **Contributing to an RRSP?** An advisor can show you how a TFSA can complement your current plan.
- **Close to retirement?** We can help you take the right steps to protect and continue growing your nest egg.
- **Already retired?** Let us show you how you can use a TFSA to enjoy tax-free income.

Whatever your situation, take a few minutes to explore the key differences, similarities and benefits of TFSAs and RRSPs. Contact an advisor today to get started on your personal plan!

How does a TFSA compare to an RRSP?

A TFSA shares some similarities with an RRSP; however, there are several key differences:

	TFSA	RRSP
What's its primary purpose?	To save for any purpose	To save for retirement
How much can I contribute each year?	Up to $6,500	Up to 18% of the previous year's earned income, less any pension adjustment (Annual maximum allowable contribution limits are set by the CRA.)
Who is eligible to contribute?	Anyone age 18 and up	Earned income determines contribution room. Contributions can be made up until the end of the year in which you turn 71.
Are contributions tax-deductible?	No	Yes
Do savings grow tax-free or tax-deferred?	Tax-free	Tax-deferred
Are withdrawals taxed?	No tax is payable upon withdrawal.	Withdrawals are considered taxable income in the year they are withdrawn.
Can withdrawn contributions be replaced?	Yes. The total amount of withdrawals are added to the contribution limit for the following year.	No. Withdrawals are not replaceable (unless you've participated in the Home Buyer's Plan or Lifelong Learning Plan).
Do withdrawals affect government benefits?	Withdrawals do not affect eligibility for income-tested benefits and credits.	Since withdrawals are considered taxable income, they could affect your eligibility for income-tested government benefits such as Old Age Security (OAS) and the Guaranteed Income Supplement (GIS).
Am I required to convert the account/plan at a certain age?	No	Yes. You must cash out your RRSP or convert it to a RRIF, annuity or other eligible savings vehicle by the end of the year in which you turn age 71.
Are spousal contributions allowed?	No, the TFSA account holder is the only person who can contribute to their TFSA. The qualifying TFSA arrangement prohibits anyone other than the holder from making contributions directly to their TFSA.	Yes, but contributions will reduce your own deduction limit. If you make contributions to an RRSP for a spouse who does not work outside the home, funds will be included in the taxable income of the spouse when they are withdrawn from the RRSP.

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Insurance

	TFSA	RRSP
What happens when the annuitant passes away?	The value of your TFSA at your date of death will not be subject to tax. However, any growth in value after that date will be taxable to your named beneficiary. To avoid this situation, you can name your spouse or common-law partner as the successor annuitant on your TFSA.	The value of your RRSP at your date of death will be subject to tax since RRSPs are valued on a tax-deferred basis. Your named beneficiary will be taxed on the RRSP balance. To avoid this situation, name your spouse or common-law partner as your beneficiary. Tax can be deferred if they roll the death benefit proceeds into their own registered policy.
Can I carry forward unused amounts?	Yes. You can carry forward unused contribution room indefinitely.	
Is there an over-contribution penalty tax?	Yes. The Canada Revenue Agency (CRA) will assess 1% per month on your excess contribution (for RRSPs, the penalty only applies if you exceed the $2,000 lifetime over-contribution amount).	
What are some investment options?	RBC® Guaranteed Investment Funds, through RBC Insurance, are one of many options for both a TFSA and an RRSP.	

Why should I have an RRSP — is the TFSA a better investment option?

While the TFSA is a great investment vehicle for both your short- and long-term goals, an RRSP is still one of the most effective ways to save for retirement. Neither is better than the other — they both offer great ways to save — but fully benefiting from both will depend on how you intend to use your savings in the short and long run. Your advisor can help you maximize your short- and long-term investments by understanding these goals and helping you create a solid financial plan.

The contributions you make to your RRSP are tax-deductible, meaning that any contributions reduce your taxable income for that year, resulting in a potential tax refund. An RRSP could allow you to be more disciplined about saving since withdrawing the funds from an RRSP early may result in paying more income tax, as withdrawals are added to your taxable income. If you're focused on saving for retirement, be sure to consider maximizing your RRSP and using your TFSA as a second source of tax-advantaged savings. If you've already retired or are not working and have no RRSP contribution room, the TFSA is a perfect tax-sheltered option to continue to save, as you are able to contribute $6,500 annually regardless of whether you are currently earning an income.

Contributions to your TFSA are not tax-deductible; however, the TFSA is a great way to save for the short or long term as you are not taxed on the earnings and can withdraw your money at any time. This makes a TFSA a great option for saving for a wide variety of your future goals: a dream vacation, a car, home renovations, or emergencies and unforeseen events.*

RBC Guaranteed Investment Funds (GIFs) are qualified investments under both the TFSA and RRSP. GIFs offer you the growth potential of mutual funds with the security of principal guarantees. When you're looking for a strategy to save your money and reduce taxes through either a TFSA or RRSP or both, RBC GIFs provide a solid choice to meet your needs.

* **Please note:** when investing in RBC Guaranteed Investment Funds, withdrawals may be subject to fees and will proportionately reduce your principal guarantees. Please speak to your advisor for more information.

For more information on TFSAs and RBC GIFs, please speak with your advisor.

RBC® Insurance

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