

# RRSPs, RRIFs & TFSAs

It is never too early to start planning your savings for the future, whether it is for retirement or for your next big purchase. We offer a wide range of registered savings products, everything from day-to-day savings plans to long term deposits.

## WHAT DOES REGISTERED MEAN?

The government provides tax advantages for certain types of investments to encourage people to save. These investments have to be registered with the government. When you set these up at Westminster Savings we do the registration for you.

### RRSP

Registered Retirement Savings Plan is primarily intended for retirement. Contributions to an RRSP are tax-deductible and reduce your income for tax purposes. Withdrawals from an RRSP are added to your income and are taxed accordingly.

#### Accessing the money inside an RRSP prior to retirement without penalties:



##### Home Buyers' Plan

Withdraw up to \$25,000 of your RRSP savings without having to pay taxes on the funds if you are buying your first home. Repayment plan set over 15 years.



##### Lifelong Learning Plan

Withdraw up to \$10,000 per calendar year from your RRSPs to finance a full-time training or education program for yourself or your spouse/common law partner. Repayment plan set over 10 years.

### TFSA

Tax Free Savings Account is a flexible, general-purpose savings account that allows you to earn tax-free interest on your investments. Each year you can contribute an amount up to your contribution room for the year. Your contribution room is an annual amount that is indexed to inflation and may change.

#### Ways of accessing the money inside a TFSA:

- Withdrawals from a TFSA are tax-free.
- Any withdrawals made during the year are added to the contribution room for next year.

#### Contributing to a TFSA:

| YEAR        | CONTRIBUTION AMOUNT |
|-------------|---------------------|
| 2009 - 2012 | \$5,000             |
| 2013 - 2014 | \$5,500             |
| 2015        | \$10,000            |
| 2016        | \$5,500             |
| 2017        | \$5,500             |
| 2018        | \$5,500             |

**TOTAL CONTRIBUTION AMOUNT\*: \$57,500**

- Any unused contribution room from the previous years is carried over. (The TFSA contribution limit is not prorated in the year an individual: turns 18 years old, dies or becomes a resident or non-resident of Canada.)

## Factors to consider when choosing between RRSP and TFSA:

### Income test

Is your current tax bracket higher or lower than when you expect to withdraw the funds?

**If** you expect to be in a lower tax bracket when you withdraw (at retirement), the RRSP may be the better choice.

**If** you expect to be in a higher tax bracket when you withdraw (at retirement), the TFSA may be a better choice.

### Goals test

What are you saving for?

**If** your savings horizon is long-term for retirement, the RRSP may be a better choice as it has a higher contribution limit than the TFSA.

**If** your savings horizon is short-term for a large purchase or emergency savings, the TFSA may be a better choice. No money is held back for taxes when you need to withdraw the funds.

### Pension test

Does your employer offer a pension plan?

**If** you have a pension plan at work, your income level at retirement will be higher meaning a TFSA may be the better choice.

## Registered products for both RRSP and TFSA:

### Long Term Non-Redeemable

These deposits feature fixed interest rates and are suitable if you are seeking to maximize your savings for a longer term. A minimum \$1,000 investment with terms of 12, 15, 18, 24, 26, 48 and 60 months are available.

### 15-month Reinvestable

Our reinvestable term deposit features a fixed rate and annual interest. Funds can be reinvested at any time without penalty into a term of equal-to or greater-than the time remaining on the original 15-month term.

### 2-year Higher Rate

This deposit features an interest rate in year two that will be higher than in year one. It is reinvestable without penalty on the first anniversary date and offers flexibility in the short run if the interest rates increase.

### 3- and 5-year Rate Climber

These escalating term deposits feature increasing interest rates over the course of the term. It is redeemable or reinvestable without penalty on each anniversary date and is a flexible long-term registered investment with a higher return.

### Super Climber RRSP

Our five-year non-redeemable term deposit features escalating interest rates over the course of the term and a compounding annual interest rate. It is suitable if you are looking to maximize your return and you're not concerned about redeeming your investment prior to the maturity date.

### Long Term Redeemable

If you do not want to lock into a fixed term but still wish to earn higher interest than a variable rate deposit then this is a good choice. A minimum deposit of \$1,000 with terms of 12, 15, 18, 24, 36, 48 and 60 months are available.

### RRSP Pay Day Plan

This term deposit is a savings plan that enables you to build up your RRSP investments on a monthly basis. Once you've reached a savings goal of \$1,000, the funds may be reinvested in a non-redeemable term deposit or mutual fund.

### RRSP and RRIF Optimizer

This variable rate term is linked to the 5-year non-redeemable RRSP term deposit rate but also offers a range of redemption features that provide flexibility and protection against fluctuations in interest rates. Choose this product if you don't want to worry about re-investing your money on an ongoing basis but seek to maximize long-term interest rate returns.

Every person's circumstances are different. We can help. Come in and speak to a Westminster Savings representative or call 604 517 0100