

3 Questions to Help You Decide Between an RRSP and TFSA

Let's start by giving you a high five because whether you put your money in an RRSP or TFSA, your future is already looking brighter.

In case you need it, here's a refresher on the basic differences between RRSP and TFSA.

RRSPs

Tax-deductible: Contributions reduce the personal income tax you pay.

Tax-sheltered: Investment income in an RRSP are not taxed.

Tax-deferred: Money inside an RRSP is not taxed until withdrawn.

TFSAs

Non-tax deductible: Contributions do not reduce your personal income tax.

Tax-sheltered: Investment income inside a TFSA is not taxed.

Tax-free: Money taken out of a TFSA are not taxed.

Here are the 3 questions:

Q1. What's your goal?

Saving for a short-term goal? A TFSA may be better choice because withdrawals are not taxed. Buying your first home? Consider saving your money in an RRSP to use the First-Time-Home-Buyer Plan (HBP). Once your RRSP reaches \$25,000 (the limit you can withdraw under the HBP tax-free), redirect savings to a TFSA. This way, you can withdraw \$25,000 from your RRSP and additional savings from TFSA also tax-free for your new home.

Remember: HBP withdrawals need to be returned to your RRSP over a maximum of 15 years.

If your goal is long-term, say saving for retirement, an RRSP is still a good option.

Q2. Are you in a high or low tax bracket?

RRSP contributions lower the income you pay tax on. When your income goes up, so does your personal tax rate.



So, if you're in a higher tax bracket, consider putting your money into an RRSP to reduce taxes.

If you're in a low tax bracket but think you will be earning more in the future, consider parking your money in a TFSA. In the meantime, carry-forward your RRSP contribution room into the future when you get into a higher tax bracket. Then use your TFSA savings to make a sizeable RRSP contribution to reduce the tax you pay. When you increase your RRSP contribution amount, you can also boost your income tax refund, which can be used to pay off debt.

Q. Will you get a big pension?

TFSA withdrawals are not considered income and are not taxed as a result.

In retirement, if you have a high income, you may lose or become ineligible for some federal income-tested benefits such as Old Age Security benefit (OAS). To provide perspective, the OAS clawback threshold for 2017 is \$74,788. Any income above this threshold reduces the benefit you can get.

If you expect a big pension, put some savings into a TFSA to keep your taxable income low so you don't risk losing some government benefits.

These are a few tips to help you decide. Your decision will depend on your financial circumstances.

Sign up for our free personal finance newsletter at <https://learn.nestwealth.com/newsletter/>.



FOR ALL YOUR Denture Needs

Are you ready to abandon conventional dentures and improve your quality of life?

IMPLANT SECURED DENTURES may be the answer.

Schedule a consultation appointment with our office today to discuss your treatment options and begin to enjoy the benefits.



GEORGETOWN DENTURE CLINIC



FOR ALL YOUR DENTURE NEEDS
DENTURES - PARTIALS - REPAIRS
IMPLANT SECURED DENTURES



ALEXANDER TRENTON, DENTURIST

905.877.2359 | 18 CHURCH STREET

WWW.GEORGETOWNDENTURECLINIC.CA

Don't put up with hearing loss anymore...

Visit us today for some sound advice!



HALTON AUDIOMETRIC CENTRE

HEARING TESTS • HEARING AIDS • ACCESSORIES

Georgetown's trusted choice for hearing care

✓ FREE consultation

✓ 90 day RISK FREE trial

905.877.8828

360 Guelph St., Unit 44
Georgetown
(In the Knolcrest Centre)

