

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Tax-deferred: Money inside an RRSP is not taxed until withdrawn.

TFSA

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?

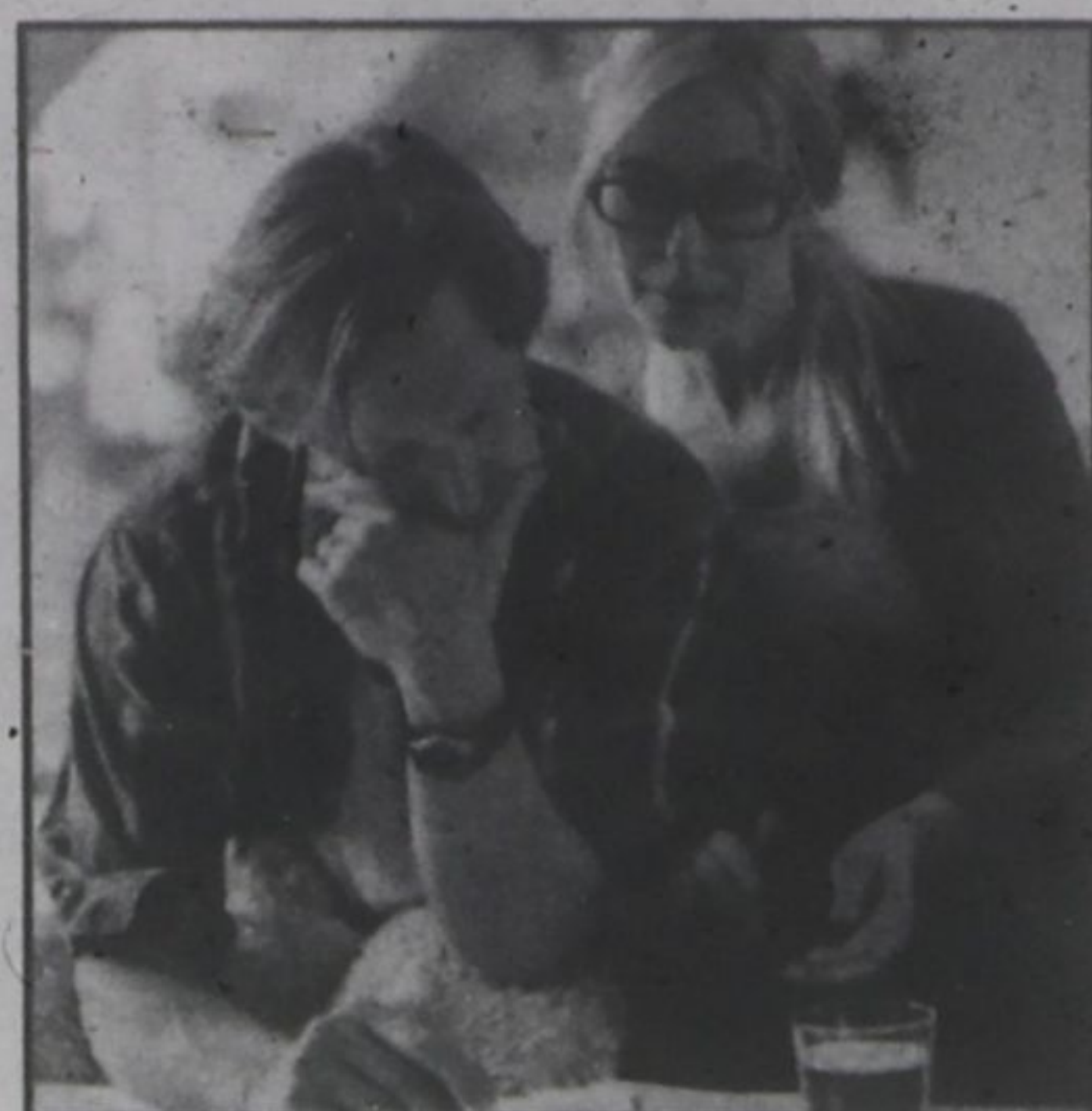
Saving for a short-term goal? A TFSA may be better choice because withdrawals are not taxed. Buying your first home? Consider saving your money in an RRSP to use the First-Time-Home-Buyer Plan (HBP). Once your RRSP reaches \$25,000 (the limit you can withdraw under the HBP tax-free), redirect savings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

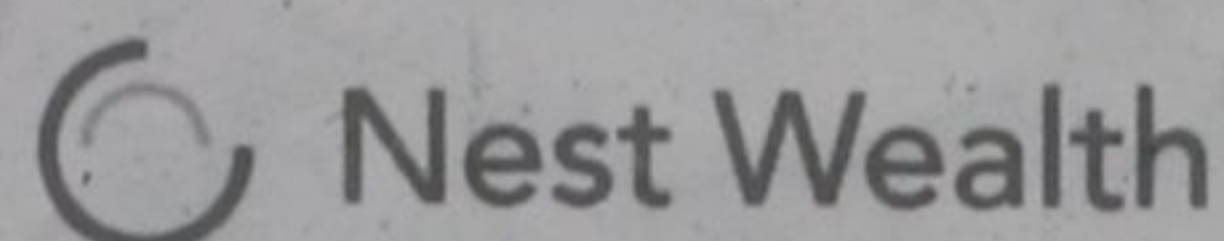
TFSA withdrawals are not considered income and are not taxed as a result.

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.

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NEWS

Snowshoe hikes at Crawford Lake

For those who refuse to hibernate this winter, Conservation Halton's got your Saturday evenings covered.

Crawford Lake Conservation Area will once again hold guided snowshoe hikes on Saturdays from 6 p.m. to 8 p.m., weather permitting, throughout January and February.

Each hike begins with basic instruction and some historical background on the sport of snowshoeing. This is followed by a trek through the woodlands, where the guide will point out the many natural features of Crawford Lake.

The cost for each hike is \$18 for adults and \$13 for children and seniors. The program is not recommended for kids under 10.

Pre-registration is required and can be done at



Eric Riehl/Metroland Media Group

From left, Jayla Davidson, Caroline Law, Alexandra Law and Stuart Law enjoy some snowshoeing at Crawford Lake.

www.conservationhalton.ca/events.

Crawford Lake is located

at the corner of Guelph Line and Conservation Road.



He was madly in love, and then he was just mad.

Forty years has taught us that love doesn't include violence. For 40 years, Halton Women's Place has been providing the only safe haven for victims of abuse in the Region. We play a critical role in supporting women and their families - More than just shelter, we offer guidance, direction, respect and a means to thrive in a safer world. If you, or someone you know, need help taking that step, we're a call or a click away.

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