

TFSA vs. RRSPs

A QUICK COMPARISON

Since January 1, 2009, the Federal government has offered Canadians the opportunity to invest in a new Tax-Free Savings Account (TFSA). TFSAs have some similarities with traditional RRSPs but are quite different in other respects. The following table highlights some of the benefits and features of each.

	TFSA	RRSP
Minimum age	To open a TFSA, you must be 18 years of age or older, be a Canadian resident, and have a SIN.	There is no minimum age to open an RRSP; as long as you earned qualified income in the previous year, are a Canadian resident and have a SIN, you can contribute to an RRSP.
Maximum age	No maximum age to contribute. As long as you are a Canadian resident with a SIN, you can own and contribute to a TFSA.	Contributions can only be made until the end of the year in which you turn 71. After that point, the RRSP is automatically rolled into a Registered Retirement Income Fund (RRIF).
Contributions	No tax deduction for contributions	There is a tax deduction for contributions
	Maximum annual contribution limit for 2017 is \$5,500 per individual.	Maximum contribution for 2017 is 18% of previous years' earned income, up to a maximum of \$26,010, plus any unused contribution room from previous years.
	Unused contribution room can be carried forward indefinitely. For example, last year's maximum contribution was \$5,500; if you only contributed \$500 last year, you could contribute \$10,500 this year (\$5,500 + \$5,000 unused from last year).	Unused contribution room can be carried forward indefinitely.
Withdrawals	Withdrawals are tax-free	Withdrawals are taxed as income
	No requirement to withdraw at any age	The plan must be rolled into a RRIF at age 71. Then, minimum withdrawal amounts must be made, based on an age-based RRIF schedule.
	Withdrawals will not affect Federal benefits such as OAS or Employment Insurance.	Withdrawals are considered income, so Federal benefits such as OAS or Employment may be reduced.
	Withdrawals may create additional contribution room.	Withdrawals do not create additional contribution room.

For more information about investing in a TFSA or RRSP, contact us.

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