

# Comparing RRSP vs TFSA vs RESP

	Registered Retirement Savings Plan (RRSP)	Tax-Free Savings Account (TFSA)	Registered Education Savings Plan (RESP)
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>No minimum age.</li> <li>Must have earned income from previous year to determine your contribution allowance.</li> <li>Canadian resident with Social Insurance Number.</li> </ul>	<ul style="list-style-type: none"> <li>Must be 18 or older.</li> <li>Canadian resident with Social Insurance Number.</li> </ul>	<ul style="list-style-type: none"> <li>Your child (or grandchild), as the beneficiary of the plan, must be under age 17 and have their own Social Insurance Number.</li> <li>You, as the "subscriber" of the plan, control contributions and withdrawals from the plan.</li> </ul>
<b>Contribution Limits</b>	<ul style="list-style-type: none"> <li>Annual limit is 18% of your previous year's earned income, up to annual limits (\$30,780 for 2023).</li> <li>Unused contribution room accrues annually and can be used in future years.</li> </ul>	<ul style="list-style-type: none"> <li>Annual limit is fixed and is currently \$6,500.</li> <li>Contribution room accumulates from 2009, when TFSAs were introduced.</li> <li>Total available room is \$88,000 if you were 18 or more in 2009 and have not yet contributed.</li> </ul>	<ul style="list-style-type: none"> <li>Annual contributions of \$2,500 per child will maximize the standard 20% federal grant of \$500 per year.</li> <li>The lifetime maximum grant amount is \$7,200 per beneficiary.</li> <li>The lifetime contribution limit is \$50,000 per beneficiary.</li> </ul>
<b>Contribution Benefits</b>	<ul style="list-style-type: none"> <li>Contributions are a tax deduction against your personal income.</li> <li>Contributions can be deducted in later years if you expect a higher tax bracket in the future.</li> <li>Investment earnings grow &amp; compound tax free.</li> </ul>	<ul style="list-style-type: none"> <li>Contributions are not tax deductible, but all investment earnings grow &amp; compound tax free.</li> <li>Withdrawals from the plan are tax-free.</li> </ul>	<ul style="list-style-type: none"> <li>Contributions are not tax deductible, but you get the grant (see above).</li> <li>Your contributions, plus the grant funds, and the investment earnings grow tax-free.</li> <li>The withdrawal of grant funds &amp; investment earnings are taxed as income in your child's hands, where little or no tax may be owed.</li> </ul>
<b>Contribution Period</b>	<ul style="list-style-type: none"> <li>You can contribute to your own RRSP up until the end of the year you turn 71.</li> <li>You must convert your RRSP to a RRIF or an annuity by the end of the year you turn 71.</li> <li>If you have a younger spouse, you can make a spousal contribution to their RRSP to age 71.</li> </ul>	<ul style="list-style-type: none"> <li>You can contribute over your lifetime.</li> <li>There is no requirement to make withdrawals.</li> </ul>	<ul style="list-style-type: none"> <li>You can contribute to the RESP for up to the \$50,000 limit per beneficiary over 31 years, but the grant is capped at \$7,200 per child.</li> <li>Normally, you would use up the value of the plan over the years your child is in their program.</li> </ul>

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<b>Withdrawals</b>	<ul style="list-style-type: none"> <li>Normal withdrawals are taxed as regular income, and any amount can be taken out.</li> <li>If you are 65 or older, you can income-split with your spouse to reduce income tax.</li> <li>Tax-free withdrawals are possible under the Home Buyers Plan (for first-time home buyers) and the Lifelong Learning Plan (for education or training for you or your spouse).</li> <li>Once your RRSP has been converted to a RRIF, a federal schedule mandates a minimum annual withdrawal based on your age.</li> </ul>	<ul style="list-style-type: none"> <li>Generally you can withdraw any amount, at any time, on a completely tax-free basis.</li> <li>You can replace withdrawals (in addition to normal annual limits), as long as you do so in the following year.</li> <li>You can leave your account for your estate or name a specific beneficiary, all on a tax-free basis.</li> </ul>	<ul style="list-style-type: none"> <li>You can withdraw any amount of the contributions at any time. However, the maximum EAP amount for a full-time student is limited to \$8,000 during the first 13 consecutive weeks of enrollment (up from \$5,000 as per the 2023 federal budget announcement).</li> <li>Afterwards, almost any amount can be withdrawn, if for costs related to studies.</li> <li>Withdrawals that are comprised of government grant funds and investment returns are taxable income for your child. Your contributions are a tax-free return of capital.</li> <li>If funds can't be used for your child's education, you can transfer accrued plan earnings to your own RRSP, subject to your available contribution room.</li> </ul>
<b>Estate Considerations</b>	<ul style="list-style-type: none"> <li>If left to a spouse, or dependent child under 18, the value of your plan passes tax-free to them.</li> <li>If left to your estate or other beneficiary, the entire value of the plan is taxed as income in your final tax return.</li> </ul>	<ul style="list-style-type: none"> <li>You can leave the entire plan to a named beneficiary or your estate, with no tax consequences.</li> </ul>	<ul style="list-style-type: none"> <li>If your spouse is a co-subscriber, the plan ownership passes to them and funds applied to your child's post-secondary costs as normal.</li> <li>If no surviving joint subscriber, the RESP can become part of your general estate, so it is important to name a successor subscriber in your will.</li> </ul>
<b>Key Benefit</b>	<ul style="list-style-type: none"> <li>Good strategy for saving for your retirement, especially if your tax bracket is higher now than you expect in retirement.</li> <li>Typically the key vehicle for retirement savings for those without employer-sponsored pensions.</li> </ul>	<ul style="list-style-type: none"> <li>Good strategy to supplement your RRSP, or just save for yourself for a future use, or simply build a tax-free asset for your estate.</li> </ul>	<ul style="list-style-type: none"> <li>An excellent strategy to save for your child's post-secondary education, as you get a 20% increase in contributions due to the federal grant funds.</li> <li>Additional grant or bond funds may be available for low income earners.</li> </ul>

## Questions?

Contact us at 905-632-6134 if you have any further questions regarding this or any other topic.

