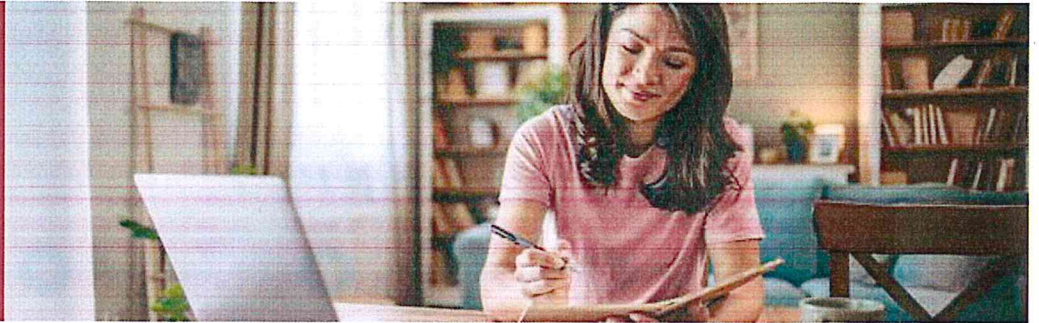


Saving for life



The 2024 RRSP contribution deadline is Mar. 3, 2025.

Want to know more about registered retirement savings plans (RRSPs)? Here are answers to 10 of the most common questions Canadians have about them to get you started.

1. What's an RRSP and how does it work?

It's an investment and retirement savings account registered with the Canada Revenue Agency (CRA). An RRSP provides Canadians benefits to save for retirement. The money you put towards an RRSP isn't taxed as a part of your income, so you pay less income tax now.

It's different from a typical savings account as it's a place to put your investments where any growth isn't taxed until you take your money out. Usually, you'll retire by the time you withdraw your money. This means you'll generally pay less tax than in your higher earning years and get to keep more of your money for retirement.

2. How much can I contribute to my RRSP each year?

You can find your RRSP deduction limit (how much you can contribute) on your most recent notice of assessment. You can also find it by signing into [My Account](#) on the CRA website.

Generally, here's how the CRA calculates your deduction limit:

1. Take the total of your unused deduction room from the previous year
2. Add the smaller amount of:
 - 18% of the earned income you reported on your tax return last year
 - \$31,560 (the annual limit for 2024)

3. Less any pension adjustment from the previous year (if applicable)

3. What happens if I over-contribute to my RRSP?

You'll be taxed 1% per month on any amount that is more than \$2,000 over your contribution limit. If you don't pay the additional tax within 90 days after the calendar year, you may face late-filing penalties or interest charged.

4. When should I start contributing to my RRSP?

While everyone's personal situation is different, it's generally recommended to start saving for retirement as soon as you can. This allows you to benefit from compound growth.

5. What types of investments can I hold in an RRSP?

You can hold many different types of investments in an RRSP. Your investment options will depend on what's offered by the financial institution where your RRSP is held.

6. What are the tax benefits of contributing to an RRSP?

You don't need to pay income tax on money you contribute to an RRSP for the tax year you make the contribution. And your money invested in your RRSP grows tax-free.

7. When do I pay tax on my RRSP?

Typically, you won't pay tax on the money in your RRSP until you withdraw it.

8. Can I use my RRSP to buy a home?

If you qualify as a first-time home buyer, the Home Buyers' Plan allows you to withdraw up to \$60,000 from your RRSP to buy or build a home. Up to five years after you make the withdrawal, you then start to repay the amounts withdrawn over a 15-year period. Learn more about the Home Buyers' Plan here.

9. Can I borrow from my RRSP for education?

The Lifelong Learning Plan allows you to draw up to \$10,000 in a calendar year from your RRSPs to help you pay for full-time training or education for you, your spouse or common-law partner. You can withdraw up to \$20,000 under this program. Learn more about the Lifelong Learning Plan here.

10. What happens to my RRSP when I retire or turn 71?

You can choose to withdraw your RRSP as a lump sum or convert it into a retirement income product such as a registered retirement income fund (RRIF) by the end of the year that you turn 71.
