# RRSP basics for Canadians

A Registered Retirement Savings Plan (RRSP) is the most popular way of saving for retirement in Canada. You can start contributing to an RRSP as soon as you start earning an income and reporting it to Canada Revenue Agency.

### How much can I contribute?

You can contribute 18% of your earned income per year, up to your annual contribution limit. To find out your contribution limit for the current year, check your most recent Notice of Assessment from Canada Revenue Agency.

### Why buy an RRSP?

In addition to helping you save for retirement, there are two great tax benefits:

> **An RRSP contribution reduces your income tax.** You'll end up with either a lower tax bill or a higher refund depending on your income.

> **You don't pay taxes on the money you earn with an RRSP, until you withdraw it.** Until then, it grows tax-free while it's in your plan. When you're ready to retire, you're likely to pay less tax on it because your income is typically lower.

### Am I too young for an RRSP?

Actually, contributing to an RRSP at a younger age makes it a lot easier to save for retirement. With compound interest, if you invest money at the age of 26, it will be much larger than the same sum invested at the age of 36. With The Co-operators, you can start saving as little as $50 a month in an RRSP.

### Am I too old for an RRSP?

You're never too old to save for retirement. You can contribute to your RRSP until December 31st of the year you turn 71. Those who start contributing in their forties, fifties and even sixties can still save a good amount of money for retirement.

### What is a spousal RRSP?

A spousal RRSP provides an opportunity for couples – married, common law or same-sex –with a large income disparity to split income in retirement. By balancing out the amount each partner is contributing to their RRSP, couples can lighten the tax load on the higher income earner when withdrawals are made in retirement.

### What about the government pension plan?

Fewer people will be working and contributing to the government pension plan as the baby boom generation retires, so your pension benefits might not be as generous as you expect. You need your own retirement income to supplement a government pension.

### How do people come up with money at RRSP time?

Many people contribute smaller regular monthly amounts instead of one large lump sum payment. Not only is it easier to budget, but it can also increase the value of the investment faster.

### Why buy an RRSP from a life insurance company instead of a bank?

One important difference is the type of investments held within an RRSP. Life insurance companies can offer a secure option called segregated funds. Just like mutual funds, segregated funds are invested in stocks, bonds, and other investments. However, they differ dramatically in that segregated funds guarantee all or most of your principal investment upon maturity or death, while mutual funds generally have no guarantees at all.

Contact your Financial Advisor to see how an RRSP fits into your overall financial plan. You can also try our retirement savings and planning calculator to get a better understanding of how you much you need to save to live comfortably in the future.