A Husband's Point Of View

A.M.H. Financial Services

Volume 11, Issue 1

January 2021

INSIDE THIS ISSUE:

On the Lighter Side

I recently started reading a book about antigravity. I can't seem to put it down.

What do you get if you stand between two llamas? Llamanated

Do you think glass coffins will be a success? Remains to be seen.

Why did Waldo go to therapy? To find himself

Bad at golf? Join the club

I like to call my IPad the Titanic. It's syncing now.

Happy New Year!

It is my sincere hope that 2021 will be a better year than 2020 was. Now that we have a vaccine hopefully the pandemic will finally come to an end.

During your working years, you generally have clarity on your monthly income because it is automated and predictable. The process of planning for retirement income is different because it is not what you are used to. And that can cause feelings of uncertainty. An RRSP is a personal savings plan that lets you save for your retirement on a tax-sheltered basis, so your money grows faster!

If you're like many Canadian investors, you've already started planning for your retirement years through savings vehicles like Registered Retirement Savings Plans (RRSPs), typically with a balanced portfolio of fixed-income investments such as bonds and equities to ensure you are properly diversified.

RRSPs help you save for retirement. While there are several kinds of registered savings plans, they all have the same important feature: you don't have to pay income tax on the money you earn from your investments while they're in the plan.

RRSPs allow you to make tax-deductible contributions each year, either in a lump sum or through regular Pre-Authorized Contributions (PACs). The maximum you can contribute each year is set by the Canadian government and depends on your income.

When it comes to saving for retirement, RRSPs are pretty hard to beat. Your contributions reduce your annual income tax. And, assuming you'll be in a lower tax bracket when you draw the money out, you'll save substantially on the overall amount of tax you pay. They are usually not a good option for short-term savings, however, as money withdrawn from an RRSP will increase your annual income and may result in your having to pay more taxes.

In addition to having a well-diversified portfolio, I can work with you to develop investment strategies to help manage market fluctuations and safeguard your retirement savings.

RRSP Contribution Limits

Year	Amount
2020	$27,230
2019	$26,500
2018	$26,230
2017	$26,010
2016	$25,370
2015	$24,930

2021

Registered Retirement Savings Plans

What's an RRSP and how does it work? An RRSP is what's called a tax-advantaged account, meaning that the government created them specifically to provide tax breaks to those who invest money in RRSPs as a way to motivate them to put away money for their retirement.

What exactly is the meaning of the term "tax-advantaged"? To you, the Canadian taxpayer, tax advantaged means in practice "free government money."

You can almost think about the RRSP as the CRA saying—you know what, don't pay us the tax this year. Pay it over the next 40 years when you'll probably be paying less tax. We don't get many handouts like this, so we should take full advantage of them!

Its never too early… or too late … to plan!

In this specific case, RRSPs are what's called tax-deferred, meaning any money you contribute will be exempt from CRA taxes the year you make the deposit, and will only be taxed years down the line when you withdraw it. RRSPs are an amazing way to cut down a current-year tax bill.

Benefits of the Registered Retirement Savings Plan
Here's how a tax-deferred account like an RRSP works. Let's say you make $70,000 a year and you decide to put the maximum allowable into your RRSP—$12,600. When tax day comes around, the CRA will treat you as though you earned just $57,400.

Now, tax-deferred doesn't mean tax-free, and you will eventually have to pay taxes when you withdraw your money years down the line, but by the time you do so, you'll be retired, your income will almost certainly be smaller and, thus, your tax rate be lower than it is now.

RRSP vs TFSA
Since both TFSAs and RRSPs are phenomenal in their respective ways, this a kind of a Batman vs. Superman question, one that begs the question why you should have an RRSP when a TFSA is similar and has no early withdrawal fees.

Here are a few of the biggest factors to consider:

If you haven't contributed much towards your retirement and you happen to have access to a pile of money right now through, say, a bonus, or inheritance, a TFSA might be the best option for you, since RRSPs have what's called an annual deduction limit, meaning that you won't be able to deduct over a certain amount in any given year.

TFSAs are designed to be easily accessed before retirement if the funds are needed—which is good, especially for those with a more immediate goal in mind like buying a house or car. TFSAs are less good if you happen to be the type who's never been able to resist smashing a piggy bank.

If the funds are for your retirement, for tax reasons, TFSAs are generally considered preferable to RRSPs for those earning less than $50,000 a year.

Types of RRSPs

Individual RRSP's	Spousal RRSP's	Group RRSP's
This is an RRSP in our own name, and to which only you can contribute.	This is an RRSP registered in the name of one spouse, to which the other spouse contributes.	This is an RRSP set up in the name of a group (such as the employees of a company or the members of a professional organization).
The amount you can contribute to your RRSP is tax deductible. You pay tax when you withdraw your money; if you're in a lower tax bracket then (which will presumably be the case if you're retired), your eventual tax bill will be lower.	Whether you contribute to your own RRSP or to your spouse's spousal RRSP, your contribution counts against your own RRSP contribution limit. Your spouse's contribution limit is not affected.	Members of a Group RRSP typically benefit from lower administration and management fees than would be applied to an individual plan.
If you transfer the value of your registered company pension into an individual RRSP after leaving your employer, that RRSP is "locked in," meaning you usually can't withdraw money from it until your retire.	If you contribute to your spouse's spousal RRSP, and your spouse withdraws money from it within 3 calendar years, you pay the tax, not your spouse.	You may also be able to contribute through payroll deductions, which allows you to invest throughout the year.
	Once your retire, you and your spouse can take income from your respective retirement funds and be taxed at an individual rate.	It's important to remember that you are responsible for staying under your contribution limit.

RRSP contribution limit

RRSP contributions can lead to good news at tax time, because they're deductible. But everything has its limits, including your RRSP. The CRA tells you your RRSP contributing room in the tax assessment you get after filing your tax return each year. Although you could calculate your contributing room by yourself, it's easier to rely on the CRA's calculation. Generally, you're allowed to contribute up to 18% of your previous year's earned income, to a maximum set each year by the Income Tax Act and Regulations, plus any unused contributing room carried forward from prior years.

Financial Advisor
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AMH Financial Services is a full-service firm. We offer services to help you examine your financial goals and select the options that will best suit your needs, timeframe and investment style. We believe in helping you create a comprehensive financial plan for your family that includes planning, insurance and portfolio management.

My commitment as a Financial Advisor is to help people to reach their financial goals. If you have a family member, friend or colleague who you feel could benefit from a conversation with me, I would be pleased to speak with them without obligation.

I believe that every individual has an unalienable right to make the best and most effective use of hard-earned income, to have easy access to up-to-date and informed advice, and to be able to provide for short and long-term requirements.

I am committed to serving the individual customer with investment and financial portfolios which will meet current needs and provide for future requirements and situations.

My mission is to help you to make an educated decision that you are comfortable with!

Understanding what matters to you.

As life changes, your financial priorities evolve. That's why at AMH Financial Services we are here to understand you first, and then your financial picture.

We take the time to understand your unique investment goals. Through an in-depth discovery process, we'll get to know who you are and what truly matters to you and your family.