

# A Husband's Point Of View



**A.M.H. Financial Services**



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## INSIDE THIS ISSUE:

- Top 6 differences between TFSAs and RRSPs 2
- What is an RRSP? 3
- Our Mission 4



## On the Lighter Side

What do dogs invest in?  
Rubber balls. They like the rate of return.

I used to have a job raking leaves. I was really raking it in.

Last night I had a dream I was a muffler. I woke up exhausted.

Did you hear that Spider Man made himself a winter jacket out of Greek bread? It was a pita parka.

What can you serve but never eat. A volleyball.

What type of tea do hockey players drink? Penal-tea.

Happy New Year!

We are at the beginning of a new year that is full of hope for what lies ahead!

This month I want to talk about RRSPs and the importance of planning ahead and saving for your retirement. With the current global pandemic we have all seen the importance of planning ahead and having some savings in place.

RRSP is an acronym for “registered retirement savings plan.” This definition sounds mighty dry when you consider how RRSPs are superheroes of modern retirement planning for Canadians — true tax-obliterating, retirement-enriching wonders of the modern world.

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!

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.

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 will be lower than it is now.

For more information or to add to an existing RRSP or open up a new one call me today (780) 425-4058



## Top 6 differences between TFSAs and RRSPs



**Save for retirement and benefit today!**



1. An RRSP is intended for retirement savings. A TFSA can be for any type of savings goal.
2. RRSP contributions are tax deductible. TFSA contributions are not. With an RRSP, you deduct your contribution from the income you report on your tax return. With a TFSA, you can't deduct your contribution on your tax return.
3. You pay tax on your RRSP withdrawals because you made the contributions with pre-tax dollars. TFSA withdrawals are tax free because you made the contributions with after-tax dollars.
4. The last day you can make contributions to your RRSP is December 31 of the year you turn 71, after which it must be closed. At that time, you can either convert your RRSP to a RRIF or buy an annuity. With a TFSA, you don't have to stop contributing or close it at a certain age.
5. You need earned income to contribute to an RRSP but not to a TFSA.
6. With both plans, you can name your spouse as a beneficiary. The money will roll over to them upon your death. But with an RRSP, after your spouse dies, taxes will be due on any money left in the account. So, if your children inherit the money, they will receive what is left after the tax is paid. With a TFSA, only the increase in the value of the TFSA since the date of death is taxed in the year the children receive it. If the amount they receive is not greater than the value of the TFSA at death, no tax is paid.

### A quick comparison

	RRSP	TFSA
Need earned income to contribute	✓	✗
Tax-deductible contributions	✓	✗
Tax-free withdrawals	✗	✓
Age limit for making contributions	✓	✗

## What is an RRSP?

A Registered Retirement Savings Plan (RRSP) is an account, registered with the federal government, that you use to save for retirement. RRSPs have special tax advantages.

An RRSP is a registered investment account that lets you save for your retirement by deferring taxes on your investment earnings. This means more of your money can stay invested and grow faster.

An RRSP also helps you lower your tax bill today, by allowing you to deduct RRSP contributions from your taxable income. By the time you retire you will likely be in a lower tax bracket, so withdrawals are taxed at a lower rate than today.

### 3 tax advantages of RRSPs

1. Tax-deductible contributions – You get immediate tax relief by deducting your RRSP contributions from your income each year. Effectively, your contributions are made with pre-tax dollars.
2. Tax-sheltered earnings – The money you make on your RRSP investments is not taxed as long as it stays in the plan.
3. Tax deferral – You'll pay tax on your RRSP savings when you withdraw them from the plan. That includes both your investment earnings and your contributions. But you have deferred this tax liability to the future when it's possible that your marginal tax rate will be lower in retirement than it was during your contributing years.

### Comparing TFSAs and RRSPs

TFSAs and RRSPs both offer tax advantages to help you reach your savings goals. If you can afford it, a good strategy is to contribute as much as you can to both. But if you have to choose one over the other, make sure you understand how they differ. And then make your choice based on your own individual financial and tax situation.

### KEY POINT

The main difference between an RRSP and TFSA is the timing of taxes:

1. An RRSP lets you defer taxes – an advantage if your marginal tax rate is lower in retirement.
2. With a TFSA, you've already paid tax on the money you contribute – an advantage if your marginal tax rate is higher when you withdraw the money.



Financial Advisor  
Since 1976



Phone: (780) 425-4058  
email: andy@amhfinancial.ca

Take a look at our website!

**[www.amhfinancial.ca](http://www.amhfinancial.ca)**

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.

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.

**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!

