Back to Basics: A Reminder of RRSP Musts

To play any game, it is important to know the rules and how they may affect the outcome or result of the game. Not to suggest that planning for retirement is a game, but knowing how RRSP rules can affect your retirement planning is very important. Below are a few of the "must knows" for your RRSP planning.

1. Maximize your contribution

The more you put away the more you will have. It is important to know the maximum allowable limit for your financial situation. Currently, you can contribute 18% of your prior year's earned income up to a maximum of $16,500 less your pension adjustment (PA) and your past service pension adjustment (PSPA). Remember also that carryforwards of unused contributions from 1991 onward can also be contributed.

2. Contribute Today

The sooner you contribute, the sooner your savings start growing for your retirement. The compounding of interest returns can make a big difference on your RRSP balance over time.

3. Spousal RRSPs

Contributions can be made to a spousal RRSP that will allow income splitting at retirement which in turn will reduce the amount of tax that you will pay. Contributions are limited to your personal limit.

4. No More Foreign Content Limit

- 30% foreign content limit in RRSPs and registered pension plans is now a thing of the past.
- Canadian investors now have the option to invest up to 100% of their retirement plans into foreign securities, without penalty.
- Opportunities for money managers to seek out the best investment opportunities wherever they exist is wonderful news for Canadians – provides the opportunity for greater diversity and more attractive risk-adjusted returns.

5. Consolidation

Consolidating your assets leads to more efficient asset management as well as reduced costs. You should discuss with your ScotiaMcLeod advisor why consolidation would be right for you.

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