RRSP TIPS

1. The RRSP contribution limit is $32,490 for 2025 and is $33,810 in 2026. This means that you need to have $188,944 of earned income in 2025 to generate the maximum amount of RRSP room for 2026. Business owners should consider increasing their salary or bonus to this level in order to maximize RRSP room available.
2. Ensure RRSP contributions are made by the higher income spouse. This will maximize the annual tax deduction for the family.
3. Defer claiming RRSP deductions in low (or no) tax years if you are going to have income in a higher tax bracket in the future. The RRSP deduction claim is discretionary, which means it can be deducted in any tax year after the contribution is made.
4. Children earning employment income or self-employment income should file a tax return in order to generate RRSP room. RRSP carryforwards do not expire, therefore RRSP contribution room will be available in the future when the child is earning income and can use the deduction to reduce income taxes.
5. Make your RRSP contributions early in the year in order to maximize the sheltering of RRSP investment income during the year.
6. Contribute to your spouse's RRSP, if your projected income on retirement will be higher. The goal is for each spouse to have equal income levels upon retirement.
7. If you plan to use the RRSP Home Buyers' Plan make sure that you have $35,000 in your RRSP at least 90 days before making the withdrawal. Make additional RRSP contributions to your RRSP at least 90 days prior to the Home Buyers' Plan withdrawal. The contributions must remain in the RRSP for at least 90 days to be eligible for the Home Buyer's Plan withdrawal.
8. Consider deferring repayment of Home Buyers' Plan withdrawals if you have a low income year (e.g., on maternity leave or employment insurance). If the required Home Buyers' Plan repayment is not made, the amount of the required repayment is subject to income tax in the year. If your spouse is in a higher tax bracket, have your spouse use this money to make a RRSP contribution. The tax savings on the spouse's contribution will exceed the income tax paid on the Home Buyers' Plan income.
9. Your RRSP must be collapsed by December 31 of the year in which you turn 71. You should consider transferring your RRSP to a RRIF or an annuity, otherwise the RRSP balance will become fully taxable in that year. You must start making withdrawals from your RRIF in the year that you turn 72.
10. You can continue to make RRSP contributions to your spouse's RRSP after you reach age 72 as long as you have RRSP room available and your spouse has not reached age 72.
11. In the year of death, the estate of the deceased taxpayer can make a spousal RRSP contribution as long as the deceased taxpayer had RRSP room available and the deceased's spouse has not reached age 72.

CHARTERED PROFESSIONAL ACCOUNTANTS

500 Cochrane Drive Unit #5, Markham, ON L3R 8E2
Tel: 905 947 4388 • Fax: 905 947 8399 • Toll Free: 888 644 3970 • E-mail: admin@lottaccounting.ca • www.lottaccounting.ca