

# TFSA AND RRSP QUICK INFORMATION

## TFSAs

- Contribution limit is currently \$5,500. Increases will be rounded to the nearest \$500 and will be applied as warranted by the Consumer Price Index (CPI)
- Tax on over-contributions is 1% per month on the highest excess contribution at any time during that month
- Withdrawals made in any year will be added to the contribution room for the following year
- Any investment income earned in a TFSA that can be attributed to an over contribution will be taxed at 100%
- Withdrawal of amounts in respect of deliberate over contributions, non-qualified investments, asset transfer transactions and any income related to those amounts will not create additional contribution room in the following year

## RRSPs

- Annual RRSP contribution limit applies to contributions made to ALL of an individual's RRSP, spousal RRSP and group RRSP
- Contribution limit for RRSPs is equal to the prior year's earned income minus pension adjustments times 18% (up to an annual limit)
- A \$2,000 annual over contribution limit is allowed, but does not count as a tax deduction
- Over contributions beyond \$2,000 are subject to a tax of 1% per month on the excess amount at the end of the month

## SPOUSAL RRSPs

- The individual making the contribution receives the tax deduction, but the spouse has all control to make the investment decisions and is the legal owner
- An individual cannot claim their spouse's RRSP contribution room as their own by making a spousal contribution
- The main advantage to having a spousal RRSP is income splitting at any age; income splitting can be done with an individual's RRSP, but only up to 50% of the income can be split, and splitting can only begin after age 65
- Clients over age 71 with RRSP contribution room can contribute to a spousal RRSP if their spouse is still under age 72
- Attribution rules will likely apply on any withdrawals made from spousal plans within two years of contribution

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CORPORATE HEAD OFFICES: RAYMOND JAMES LTD.  
SUITE 2100 – 925 WEST GEORGIA ST. // VANCOUVER, BC V6C 3L2 // 604-659-8000  
SUITE 5300 – 40 KING STREET WEST // TORONTO, ON M5H 3Y2 // 416-777-7000  
LIFEWELLPLANNED.CA

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