

## TFSA vs RRSP: How do you choose? Or do you?



As we reflect on the past few years, we are reminded of how important it is to set money aside for savings – not just solely for retirement but for any unexpected reasons. So when it comes to savings, the question of which is better – a TFSA or an RRSP, is something that bears discussing. The answer is: there is no one answer for everyone. They both have their advantages, but depending on your situation, one might be better than the other. The RRSP offers greater tax benefits under the right circumstances but the fact that you have to pay income taxes when you take out money from it makes it less flexible. The TFSA may not provide as many tax benefits as the RRSP, but since taking money out of it has no tax consequences, it's much more flexible.

Regardless of whether you choose the RRSP or TFSA (or make use of both!), one of the best things you can do is invest consistently.

So how do you choose? Take a look at our comparison chart to help understand the differences and then discuss with us how we can ensure you maximize your investment savings.

	TFSA	RRSP
<b>Purpose</b>	Any type of savings (short or long term) and emergency fund	Retirement savings
<b>Flexibility</b>	Open account as soon as you turn 18 <i>(19 in B.C.)</i> Does not require earned income Withdrawn anytime for anything	No minimum age to open but requires employment income If withdrawn, tax will need to be paid, unless it's being used for First Time Home purchase or Lifelong Learning Plan
<b>Investment Options</b>	Cash, qualified securities, fixed income, mutual funds, etc.	Cash, qualified securities, fixed income, mutual funds, etc.
<b>Tax Rules</b>	Tax-sheltered growth on investments Tax already paid on the money you contribute, which may be an advantage if your tax rate is higher when you withdraw the money	Tax-sheltered growth on investments Defer taxes until you retire, which may be an advantage if your tax rate is lower at retirement
<b>Contributions</b>	Annual Maximum – varies year to year. Max \$6,500 for 2023 Lifetime Maximum Contribution cannot exceed \$88,000 as of 2023. <sup>1</sup>	18% of previous year's earned income up to \$30,780 for 2023 (whichever is lower)
<b>Tax Deduction</b>	No	Yes, during the year you make the contribution or carry it forward
<b>Withdrawal Rules</b>	Withdraw any amount at any time without paying tax When you cash out, it's tax free Can only replace the amount of the withdrawal in the same year if you have available room	Withdraw any amount at any time subject to income tax When you cash out, you have to pay income tax
<b>Expiration</b>	None	Must be converted to RIF by Dec. 31 of the year you turn 71 (no further contributions allowed)

## RRSP vs. TFSA?

TFSAs and RRSPs are both excellent options for long-term investing, and both offer tax advantages, but determining the best one depends on what you're investing for. Ideally, you should spread out your savings and contribute to both.

### Questions to consider:

- › Do you think your income will change significantly over the short, medium and long term?
- › Do you expect to make a major purchase in the next 5 years?
- › Is one of these better if you are married or have kids?

### One last reminder:

If you go the RRSP route, don't spend your refund, and if you go the TFSA route, don't spend your TFSA. Whatever route you go, keep on saving.

Give us a call to discuss the best plan for your contributions this year.

### Our Best Tip:

If an RRSP is right for you, consider maximizing your RRSP contributions to get a large tax refund and put that refund into your TFSA. That way, you have more money working for you and you'll have a mix of long-term retirement funds (RRSP) and flexible funds (TFSA).

### Contact information

#### R Hunter Wealth Management Group

700 - 737 Yates Street

Victoria, BC V8W 1L6

maureen.peters@nbc.ca Tel.: 250-953-8415



**NATIONAL BANK  
FINANCIAL**

**WEALTH MANAGEMENT**

National Bank Financial – Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under licence by NBF. NBF is a member of the Investment Industry Regulatory Organization of Canada (IIROC) and the Canadian Investor Protection Fund (CIPF), and is a wholly owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA).

NBF is not a tax advisor and clients should seek professional advice on tax-related matters, including their personal situation. Please note that comments included in this publication are for information purposes only and are not intended to provide legal, tax or accounting advice. The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete.

1 Conditions, precisions and limitations may apply. Please discuss this with your Wealth Advisor and seek professional advice of tax-related matters applicable to your personal situation.