



Client Connect

Miss The RRSP Deadline?

Do you know you can still benefit?



If you made a contribution to your RRSP within your contribution limits by March 1, you are entitled to claim a deduction on your 2009 tax return.

But what if you're not able to make a contribution this week? Does this mean you're out of the race altogether? Not at all.

The balance of 2010 can still result in meaningful retirement savings and tax savings for 2010. Here are some RRSP ideas to consider implementing throughout this year if you didn't meet the March 1 deadline.

Contribute monthly

This idea isn't rocket science. But if you're always scrambling to find the cash to contribute to your RRSP at this time of year, consider starting monthly contributions as soon as possible. You'll get your money growing in the tax-sheltered RRSP sooner, and a preauthorized monthly contribution is much like a forced savings plan. Finally, you may avoid the need to borrow to contribute, saving some non-deductible interest costs.

Have your employer contribute

Consider asking your employer to send a portion of each paycheque, or perhaps a bonus owing to you, to your RRSP carrier. Just make sure you have the contribution room. What is the benefit? You'll avoid income tax withholdings on that contribution.

For example, if your employer sends \$10,000 to your RRSP carrier as a contribution to your plan, that amount will show up on your T4 slip in 2010 because it's taxable, but your employer will not have to deduct taxes from that amount, so the full \$10,000 (less CPP/QPP and EI) will make its way to your RRSP. You'll be entitled to a deduction for the \$10,000 contribution. You're effectively getting your tax refund today (so don't expect a refund when you file your tax return for 2010), and those dollars are going into your RRSP.

Use TFSA assets to contribute

If you progress through 2010 and discover that you need a deduction to reduce your taxable income but you'd rather not borrow to contribute, and you have assets inside your Tax-Free Savings Account (TFSA), consider withdrawing funds from your TFSA on a tax-free basis and using those funds to contribute to your RRSP. You can always replace those dollars in your TFSA if you find the cash at a later date.

Avoid over-contributions

Although you won't be penalized if you over-contribute up to \$2,000 to your RRSP, it doesn't make sense to over-contribute since you won't be entitled to a tax deduction for that excess contribution, but you'll face tax when you withdraw the amount later. You'd be better off putting that excess amount into a TFSA instead. You'll get the same tax-sheltered growth, but pay no tax on withdrawals later.

Make an advance contribution

If you're turning 71 in 2010, you'll have to wind up your RRSP by the end of the year. Yet, despite not having an RRSP after 2010, you may still be entitled to RRSP contribution room in 2011 if you have earned income in 2010. So, consider making your 2011 RRSP contribution in December, 2010, just before winding up your RRSP this year. You'll face a one-month penalty of 1 per cent on the over-contribution (in excess of the \$2,000 allowable over-contribution), but the tax savings from your RRSP deduction in 2011 will far outweigh this small penalty.

Contribute to a spousal RRSP

Who says you can't contribute to an RRSP beyond age 71? As long as you have RRSP contribution room, you can contribute to a spousal RRSP for your spouse provided your spouse is under age 71 and still has an RRSP. You'll get the tax deduction while your spouse can pay the tax on withdrawals later.

Courtesy of Tim Cestnick, The Globe and Mail

If you have any questions, please contact us.

Complimentary Advice ... Any Time

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