

2020 Contribution Information

Key Information for your RRSP, TFSA, RESP & RDSP

With the holiday season and 2019 coming to a close, it's time to think about contributing to your RRSP, TFSA and other registered plans. As contribution limits for RRSPs and TFSAs frequently change, we've listed the latest information for 2020 below and are always available to answer any questions you may have.

RRSP Contributions

Your 2020 RRSP contribution limit is based on **18%** of the earned income you reported on your previous year's tax return, up to a maximum of **\$27,230** (vs. \$26,500 in 2019). To qualify for the maximum RRSP contribution, your 2019 earned income would have to be **\$151,278** or higher. The deadline to make a RRSP contribution is March 1, 2020, basically 60 days into the new year.

Other key information related to RRSPs:

- The \$27,230 limit **does not include carry forward room from prior years** when you did not make a maximum contribution. This carry forward amount can be found on your *Notice of Assessment* under the heading "Available Contribution Limit".
- The \$27,230 limit is **reduced if you participate/receive a company pension plan**.
- You do not need to deduct your contributions in your current year's tax return. If you expect your income to be higher in the future, **you can wait to deduct this year's contributions in subsequent tax filings**.
- You can contribute to your RRSP **up to and including the year you turn 71** and spousal RRSP contributions can be made up to and including the year your spouse or common law partner turns 71.
- Excess contributions above \$27,230 are permitted up to \$2,000. **Excess contributions above \$2,000 are subject to a penalty of 1% per month**.
- Temporary withdrawals can be made from your RRSP prior to retirement via the Home Buyers Plan or Lifelong Learning Plan. Any withdrawn amounts must be re-contributed in a timely manner – please consult us for more details.

TFSA Contributions

The Federal government has maintained the 2020 TFSA contribution limit at **\$6,000**. However, if you have yet to open a TFSA account you can contribute **\$69,500** owing to the unlimited carry forward associated with this type of account assuming **i)** you were at least 18 in 2009 and **ii)** you have been a resident of Canada during this period. There is no deadline for TFSA contributions – they can be made at any time.

Other key information related to TFSAs:

- Contribution room can be carried forward indefinitely.
- You can withdraw funds from your TFSA at any time without being taxed on the withdrawn amount.
- If you make a withdrawal from your TFSA, you must wait until the next calendar year to re-contribute, otherwise you will be penalized for over contributing.
- Over contributions are penalized 1% per month – Unlike RRSPs, there is no \$2,000 grace amount.
- There is no upper age limit for TFSA contribution like there is for RRSPs.

RRSP & TFSA Summary Table

Annual Contribution Limits		
Year	RRSP	TFSA
2020	\$ 27,230	\$ 6,000
2019	\$ 26,500	\$ 6,000
2018	\$ 26,310	\$ 5,500
2017	\$ 26,010	\$ 5,500
2016	\$ 25,370	\$ 5,500
2015	\$ 24,930	\$ 10,000

Registered Education Savings Plan (RESP)

Having a RESP enables you and your children to benefit from **government-funded education grants** and allows you to save for your children's education on a **tax-deferred basis**. The government's Canada Education Savings Grant (CESG) is equal to 20% of your annual RESP contribution, **up to \$500 annually**. Therefore, the annual contribution to maximize the grant is **\$2,500** in a calendar year. Up to \$50,000 can be invested in a RESP, however, there is a lifetime grant maximum of \$7,200, which is achieved when \$36,000 is invested.

Other key information related to RESPs:

- If you miss a year or start late, CESG grant room can be carried forward but the government will only let you carry forward one-year at a time (i.e. The government will only give you up to \$1000 a year [\$500 for the current year + \$500 for one missed year])
- Contributions can be made until the end of the calendar year the child turns **17**.
- RESPs can stay open for 36 years or 40 years for beneficiaries eligible for the disability tax credit.

Registered Disability Savings Plan (RDSP)

Finally, if there is a member of your family that qualifies for disability tax credits, you should consider a Registered Disability Savings Plan (RDSP). RDSPs are tax-deferred plans that have a **\$200,000 lifetime contribution maximum**. Capital can be contributed to the plan at any time until the beneficiary turns **59** and while contributions are not tax deductible, **plan earnings grow on a tax-deferred basis**. Further, RDSP plan holders may qualify to receive Federal government assistance in the form of matching Canada Disability Savings Grants (CDSGs) and Canada Disability Savings Bonds (CDSBs) valued up to \$3,500 and \$1,000, respectively, per year of eligibility.

Please let us know if you have any questions regarding your 2020 registered account contributions or if you are interested in opening a new account.



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