

Group RRSP and TFSA are here!

New ways to save for your future

We're pleased to announce that, as of May 1st, you have the option to make voluntary contributions to a group registered retirement savings plan (RRSP) and/or a group tax-free savings account (TFSA) through Manulife. These accounts allow you to set aside extra savings — and save on taxes. You can join one or both of these plans by completing an enrolment form — available from Human Resources. You'll be asked to name a beneficiary and choose your investments. You'll have the same investment options with Manulife as you do for your Pension Plan contributions.

“ *An RRSP is one of the most tax-effective ways you can save for the future.* ”

Group RRSP

An RRSP is one of the most tax-effective methods for Canadians to save for retirement. RRSP contributions are tax deductible, which helps to reduce the amount of income tax you pay each year. The money in your RRSP, including investment income, grows tax free until it is withdrawn.

Contribution limits

The Canada Revenue Agency (CRA) places a limit on how much you can contribute in your RRSP each year. It's up to you to keep track of your RRSP contributions to avoid over-contributing. See how that limit is calculated below.

Calculating your RRSP contribution limit:

$$\begin{array}{c}
 \mathbf{18\%} \text{ of your previous} \\
 \text{year's earnings} \\
 \text{(to the dollar max.} \\
 \text{shown below)}
 \end{array}
 +
 \begin{array}{c}
 \text{Any unused} \\
 \text{RRSP contribution} \\
 \text{room from} \\
 \text{previous years}
 \end{array}$$

Tax year	Dollar maximum
2016	\$25,370
2017	\$26,010
2018	Indexed to inflation

Contributions made in the first 60 days of the year can be applied against either the current or previous year's income taxes. Your RRSP contribution limit for the current year appears at the bottom of your CRA notice of assessment from last year. You can also call the tax information phone service (T.I.P.S.) at 1-800-267-6999.

Withdrawals

You can withdraw money from your RRSP at any time. However, any money you take out will be taxed as income, unless it is withdrawn under the Home Buyers' Plan or Lifelong Learning Plan. Under current tax law, you must withdraw, convert or transfer your RRSP by the end of the year in which you turn age 71.

Group TFSA

Tax-free savings accounts were first introduced in 2009. All Canadian residents age 18 or older can save and invest in a TFSA. Unlike RRSP contributions, TFSA contributions are not tax deductible. However, you don't pay any tax on any investment income you earn in your TFSA — and you won't pay taxes (including taxes on capital gains) when you withdraw money from your account.

Contribution limits

The CRA places a limit on how much you can contribute to a TFSA each year (\$5,500 in 2016). If you don't make a full contribution in a given year, you can apply this amount to your contributions in the future.

Withdrawals

You can withdraw money from your TFSA at any time. Any amounts that you withdraw in a calendar year will be added to your contribution room for the following calendar year. Unlike an RRSP, you are not required to withdraw, transfer or convert money in your TFSA at age 71. You can continue to keep money in your TFSA — and contribute to it — for as long as you like.

RRSP vs. TFSA... what's the difference?

The TFSA has some key traits in common with the RRSP, but there are also some important differences.



“ All investment earnings in your Group TFSA grow tax free! ”

	Registered retirement savings plan (RRSP)	Tax-free savings account (TFSA)
Purpose	Mostly aimed at saving for retirement.	Use for all your savings goals, including retirement.
Contributions	You can deduct your RRSP contributions on your income tax return.	You cannot deduct your TFSA contributions on your income tax return.
Investment earnings	Earnings are tax deferred. This means you don't pay tax on investment earnings in your RRSP until you make a withdrawal.	All investment earnings in your TFSA grow tax free, and will not be taxed when you withdraw money from your account.
Withdrawals	RRSP withdrawals are added to your income and taxed at your current income tax rate.	You don't pay any tax on the money you withdraw from your TFSA — including investment earnings.
Time limits	You have to close an RRSP after age 71.	There is no time limit for contributing to a TFSA.
Beneficiaries	You can name anyone as a beneficiary to your RRSP. If there's any money left in the account after you die, and your spouse is your beneficiary, the money will remain tax deferred until your spouse withdraws it. If your beneficiary is someone other than your spouse, the money will be paid as a lump sum and taxed as ordinary income.	You can name anyone as a beneficiary to your TFSA. If there's any money left in the account after you die, the money passes tax free to your beneficiary because you would have already paid tax on the money you contributed to your account.

Still have questions?

If you have any questions about the new Group RRSP or Group TFSA, please contact **Stacie Thomson** at ext. 4898, or email her at staciet@nipissingu.ca.

This bulletin provides summary information about the Nipissing University retirement and savings program in simple terms. It is not intended to be comprehensive or to provide advice. If there are any discrepancies between this bulletin and the legal plan documents that govern, the legal documents will apply.