



## RRSP CONTRIBUTION CHECKLIST

Starting with 1991 contribution limits, unused RRSP contribution room can be carried forward indefinitely. Unfortunately, those intending to catch up at some future point in time may find it very difficult to do so without disciplined planning and a specific strategy.

Like many investors, you may not realize that you can contribute up to your annual RRSP limit in any given tax year without using the tax deduction for that year. For example, you could use the tax deduction in a year when your taxable income is higher because of a sizeable bonus or capital gain. You could also carry the tax deduction forward, to reduce income in retirement, and possibly avoid a claw back of government benefits.

### DETERMINING YOUR RRSP CONTRIBUTION ROOM

Canada Revenue Agency's (CRA) Notice of Assessment, which you receive after filing your tax return, indicates your RRSP deduction limit. It also includes unused contribution room carried forward from previous years.

Date	Name	Social insurance no.	Tax Year	Tax Centre
April 1, 2020	John Smith	XXX XXX XXX	2019	Sudbury, ON P3A 5C1

#### 2019 RRSP Deduction Limit Statement

The back of this notice contains important information. Amounts marked with an asterisk (\*) cannot be less than zero.

RRSP Deduction Limit for 2019 .....	\$20,000
<b>Minus:</b> Allowable RRSP contributions deducted for 2019 .....	\$ 11,000
Unused RRSP deduction limit at the end of 2019 .....	\$ 9,000
<b>Plus:</b> 18% of 2019 earned income of \$150,000 = (max. \$26,500).....	\$26,500
<b>Minus:</b> 2019 pension adjustment .....	\$12,000
	<u>\$14,500 *</u>
	\$23,500
<b>Minus:</b> 2020 net past service pension adjustment .....	\$ 0
<b>Plus:</b> 2020 pension adjustment reversal .....	\$ 0
<b>Your RRSP deduction limit for 2020</b> .....	<b>(A) \$23,500 *</b>

You have \$3,000 (B) of unused RRSP contributions available for 2020. If this amount is more than amount (A) above, you may have to pay a tax on the excess contributions.

If unused contributions (B) exist, it implies that you made a contribution to your RRSP in a previous year(s) and have not yet deducted it on your annual tax return. To determine the maximum amount that can be contributed to your RRSP, take your RRSP deduction limit (A) and subtract your unused RRSP contributions (B).

Over-contributions have been made to an RRSP when the unused RRSP contributions available minus the RRSP deduction limit is greater than \$0. If the over-contributions are less than \$2,000, you will not be charged a penalty by the CRA, as this is the allowable over-contribution limit for RRSPs. If you over-contribute more than \$2,000, you will be subject to a 1% monthly penalty, charged by the CRA.

To help you maximize the benefits of RRSP contributions, we have provided a checklist that you should review each year to ensure you are making the most of your RRSP.

## RRSP CONTRIBUTION CHECKLIST

- Make your RRSP contribution for 2019 by the March 2, 2020 deadline in order to use the tax deduction for the 2019 tax year.
- If possible, contribute your 2020 RRSP maximum amount at the beginning of the year, which will allow you to take advantage of tax-sheltered compounding sooner.

### Special RRSP Contributions

- If you received a retiring allowance in 2019, you must contribute any eligible amount by March 2, 2020. Please note that the carry forward provision does not apply to a retiring allowance.

### RRSP Catch-up Strategies

- Invest any extraordinary lump sums you have received, such as a bonus, severance pay not eligible for RRSP rollover, proceeds of liquidated assets, an inheritance or windfall, in your RRSP.
- Contribute eligible securities you hold outside of a registered account to your RRSP. Capital gains realized on an “in kind” contribution are taxable, but capital losses are not recognized.
- Set up a Pre-Authorized Contribution plan, where funds are automatically transferred to your RRSP every month.
- Borrow funds to contribute to your RRSP and apply your tax refund against the loan.

Note: You should aim to pay off the loan within one year. While interest paid on a loan is not tax-deductible, borrowing may still be worthwhile for you, if expected investment returns will be greater than the cost of borrowing.

### Other Planning Considerations

- Consider directing personal contributions to a Spousal RRSP.
- Designate beneficiaries appropriately.\*
- Review investment objectives and asset mix.
- If RRSP contributions are already maximized, ask your CIBC Wood Gundy Investment Advisor about tax-effective accumulation strategies available with Tax-Free Savings Accounts (TFSA) or Universal Life Insurance.

\*Rules differ in the province of Québec where beneficiary designations in RRSP contracts are not recognized.

## WE'RE HERE TO HELP

For more information on RRSP planning, speak with your CIBC Wood Gundy Investment Advisor who will work with you to determine the best solution to meet your individual needs.

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