Keep Your RRSP in Order

These are difficult days for investors, especially for those who have been used to an independent course of action and have built up their resources primarily in vehicles such as the Registered Retirement Savings Plan (RRSP).

If, as with many individuals, a portion of your RRSP has been invested in Canadian equities, 2015 was a difficult time with many quality equities experiencing declines in value.

Unpleasant as market setbacks are, we know that periodic ups and downs are both part of the investment cycle. RRSPs are generally geared to the long term, with the goal of maximizing our future retirement income stream. Over any extended time frame, sound investment plans have done well.

Keep your sights on the long term as well. To the extent possible, maintain the contribution programs that you may have established for your RRSP. An ideal solution is an automatic monthly contribution plan which, depending on arrangements, may allow for dollar cost averaging. The latter will be particularly useful during down periods or times of discounted security prices.

Spousal RRSPs Still Make Sense

Those taxpayers with non-working spouses should not forget the potential benefit of spousal RRSPs for income splitting.

Briefly, a spousal plan is a plan registered in the name of the spouse. Contributions can be made by either partner, with the amounts based on each partner's own earned income. Tax deductions belong to the contributor. Assets belong to the named spouse (in the case of a spousal contribution, there is a three-year waiting period or any assets withdrawn from the plan will be attributed back to the donor).

Spousal RRSPs continue to have merit for at least two reasons. First, the income splitting rules permit only 50 per cent of pension income to be split. A spousal RRSP will permit virtually all of the remaining RRSP-related income to be transferred to a spouse if desired. Three years following the last spousal contribution, the spouse may also take RRSP money into income, with no restriction or attribution.

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Second, if your spouse is much younger than you, you have the potential to contribute to the spousal plan (and receive the accompanying tax deduction) well beyond age 71, when normal contributions to your own plan must cease. This assumes, of course, that you continue to have earned income at that time.

RRSP Season Reminders

- **Deadline for 2015 Tax Benefits:** Monday, February 29, 2016
- **Contribution Limit for 2015 Tax Benefits:** 18% of 2014 earned income, less any Pension Adjustment (PA) resulting from contributions to a registered pension plan or deferred profit sharing plan, less any 2014 past service pension adjustment (PSPA) and plus any 2014 pension adjustment reversal (PAR) and unused contribution room carried forward, to an overall limit of $24,930. Check your latest tax assessment notice from Canada Revenue Agency for your exact limit.