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8 not-so-secret ideas to help you grow your RRSP

Contributing to a Registered Retirement Savings Plan might be the easy part: Incorporating your RRSP wealth into your larger financial plan may be complex. Here are 8 intricate situations and some ideas that you should know about.

If you have been investing in a Registered Retirement Savings Plan (RRSP) for a while, one of the most obvious benefits is that your savings have likely compounded over time. After a decade or more of regular contributions and careful decisions, you might even have an impressive amount of savings to admire.

As you pat yourself on the back for getting this far, there may be things you can do to leverage that RRSP wealth even further.

We also know there are some RRSP nuances that continue to puzzle a significant portion of the population. According to a TD Bank survey, 30% of Canadians said they didn't fully understand RRSPs, and more specifically, their tax implications.[1] But even if you know a thing or two about saving money, some of these lesser-known tactics could help take your savings higher.

We recently sat down with several TD Wealth professionals and asked them eight of our most pressing questions on how to best utilize your RRSP. Let's dive in.

Should I change my RRSP investment strategy as I approach retirement?

Traditionally, as investors approached the pre-retirement phase of their lives, many will carefully turn from higher risk investments to less volatile ones. While some elements of this strategy remain important, your own strategy could look different. You may want to consider, for example, that your lifespan today could likely be greater than those of previous generations. A number of us will also remain healthier for longer. That means that any money you have saved for retirement could need to be stretched a little further. As well, you may need a portion of your savings to continue to grow well into retirement. Your personal investment strategy will also depend on how much you plan to spend in retirement: Costs can rise, both in the early years when retirees are more active, as well as later in retirement when healthcare expenses come up.

Nicole Ewing, Principal, Wealth Planning Office, TD Wealth, says that changing your RRSP investment strategy will largely depend on your risk profile, time horizon and income needs, as well as numerous other considerations. But she adds that "this is really where a financial planner or investment advisor can provide significant value — helping you determine how to best approach your asset allocation as some (or all) of these considerations evolve with time."

DID YOU KNOW?

RRSPs were first launched in 1957. Initially called a "Registered Retirement Annuity," it was conceived as a way to help self-employed workers who didn't have a pension plan to save for retirement.[2]

Source: Statistics Canada

Do I have to claim an RRSP contribution in the same year I made it?

No! If you expect your overall taxable income to increase in a subsequent year, it could be beneficial to make your RRSP contributions as usual, but wait to claim the tax deduction until you're in a higher marginal tax bracket says Ewing. Similarly, if you experience a year of lower-than-usual income (for example if you've been laid off or taken a leave of absence), you might consider delaying your claim.

"Generally speaking, the higher your marginal tax rate, the greater the impact each dollar of RRSP deduction will have when compared to lower marginal tax rates," Ewing says. That's all to say, it can be important to be strategic when planning out your RRSP contributions and subsequent deductions.

DID YOU KNOW?

The maximum annual RRSP contribution value in 2025 is $32,490.[3]

Your maximum RRSP contribution limit is equal to 18% of any pre-tax income earned in the previous year. Any unused contribution room can be carried forward.

Source: How does an RRSP work? 2025, TD Bank

Is there any benefit to converting my RRSPs to RRIFs early?

As you may know, Canadians must convert their RRSP savings into a retirement income vehicle, such as a Registered Retirement Income Fund (RRIF), no later than December 31 of the year in which they turn 71. But you can convert earlier and make regular annual withdrawals although there are risks to consider.

Georgia Swan, Tax and Estate Planner, TD Wealth, says that although there may be circumstances when converting your RRSP to a RRIF early makes sense, you'll want to carefully consider your decision before moving forward: "It's going to depend on a lot of different things," she says.

Let's say, for example, that you've retired early and need the additional income. In this scenario, Swan says it could make sense to convert early because there would be no withholding tax to withdraw the minimum from your RRIF, whereas you would pay tax on withdrawals from an RRSP.

Another situation that may warrant early conversion has to do with spousal eligibility. If your spouse is younger than you, Swan says, you might consider converting now and using your spouse's age to reduce the minimum withdrawals, which would reduce the amount of tax payable. Here's how that could work: Minimum RRIF withdrawal amounts are based on age. The older you become, the more money you must withdraw. However, when there's a large gap in age between partners, the older spouse can elect to use their younger spouse's age for the purpose of the RRIF withdrawals calculation. "This could spread your income out more over time and result in a reduced tax load," she says.

Swan adds that anyone contemplating converting their RRSPs early should consider their own longevity, and how that could impact their savings. If your RRSP holdings are significant, you may want to begin RRSP conversion and withdrawals earlier. Similarly, if you have health concerns that could affect the length or quality of your retirement, you might also take that into account.

Having said all that, Swan cautions those who are eager to convert their RRSPs: If you begin drawing down your RRIFs while still working, you could easily end up paying more tax than necessary.

"It really is a number crunching exercise," says Swan. "You'll want to consider all of the variables before deciding to move forward."

DID YOU KNOW?

The TD Canadian Index Fund, TD's oldest continuous mutual fund, was introduced in 1985.[4]

Source: TD Canadian Index Fund, TD Asset Management, Fund Facts, July 2024

What happens to my RRSPs and RRIFs when I die?

The treatment of your RRSP or RRIF when you die will depend on the named beneficiary, says Mindi Banach, Tax and Estate Planner, TD Wealth. If your spouse is your sole beneficiary (or successor annuitant), the funds can roll over to their RRSP or RRIF tax-free. Banach notes, however, that your spouse must transfer the funds directly into their own RRSP or RRIF to qualify for the tax exemption. If they don't have either, a rollover can't occur.

For non-spousal beneficiaries, Banach says the funds in the accounts are generally considered income for the deceased's estate and will be taxed accordingly. "However, that could become complicated if the deceased's estate does not have the money to pay the tax," says Banach. "The CRA may ask the beneficiaries of the registered funds to pay instead."

Finally, if no beneficiaries have been named, or the estate is named as the beneficiary, the RRSP or RRIF will go to the estate — meaning it could be subject to probate fees and tax before being distributed to the beneficiaries.

What's the difference between naming a spouse as beneficiary and a successor annuitant?

A successor annuitant* is a spouse or common-law partner who is named to take over the RRSP or RRIF from the moment their spouse dies. "The benefit is there is no change in the investment portfolio within the RRSP or RRIF. The investments transfer over in-kind," says Swan. That also means no tax bill at the time of transfer.

On the other hand, anyone can be named as a beneficiary. When you pass away, your RRSP or RRIF will be collapsed, and the funds paid out to the beneficiary. Unless the beneficiary is a qualifying survivor (that is, a spouse, common-law partner or financially dependent child or grandchild), the estate will have to pay the requisite tax on those funds before the beneficiary can receive them.

It may come as a surprise, Swan says, that there may be cases where naming a spouse as a beneficiary is actually a better option than naming them as successor annuitant. "For one, you may actually want to trigger some income when your spouse dies," she says. "If so, naming a spouse as beneficiary allows them to elect out of the spousal RRSP or RRIF rollover. This can't happen if the spouse is named as successor annuitant."

Swan also points out that while your spouse can be named as beneficiary and elect to be treated as a successor annuitant in certain circumstances, the reverse is not true.

*Note, the terms successor annuitant and beneficiary as defined above apply to all jurisdictions except for Quebec where beneficiaries for registered funds are only recognized if they are named in a Will.

DID YOU KNOW?

6.2 million Canadians contributed to an RRSP in 2022.[5]

Source: Statistics Canada

Can you save too much money in an RRSP? And what happens if you do?

"You can absolutely save too much money in your RRSP," says Swan. While there's a tax benefit upon contribution, she notes that withdrawals are still taxed as regular income, albeit generally at a lower rate in retirement. This is important because, if the income is a result of dividends or capital gains (which are generally taxed more favourably), you would lose that tax benefit upon withdrawal. Moreover, Swan notes that if you contribute to your RRSP in excess, you'll still have to remove those funds from your RRIF at prescribed intervals and amounts. "The older you get, the more you'll be forced to withdraw from your RRIF — whether you need it or not," she says. The impact of higher taxes could also be compounded if your retirement income is supplemented by a pension or other investments.

Excess money in your RRSPs and RRIFs can also be an issue when you pass away, Swan says. "Let's say you die with $500,000 left in your RRIF, and you have designated your daughter as the beneficiary. She will receive $500,000 but the amount will also be reported as income on your final tax return. At that level, you will be taxed at a much higher rate." She adds that this is why many people do their best to drain their RRIFs in retirement. Ultimately, "If you're too focused on year-over-year planning, rather than lifetime planning, you may end up with significant tax consequences."

When should I invest in a TFSA vs. RRSP?

While RRSPs and TFSAs share some characteristics, they are different enough to warrant some consideration when it comes time to decide which is right for you (and at which time). TFSAs are often useful for short- to medium-term savings goals since there are typically no tax consequences on withdrawals. They can also be a good place to house an emergency fund for the same reason.

An RRSP — as the name implies — is most useful when saving for retirement because it defers tax until a time when the account holder is (presumably) in a lower tax bracket. RRSPs can also be used to help an individual buy a home through the Home Buyer's Plan or return to school through the Lifelong Learning Plan, though in both those cases withdrawals must be paid back to the RRSP over a defined period of time.

Ewing says that people use these registered accounts in a variety of ways based on their personal situations. That's all to say, there's not necessarily an exact science when it comes to investing in one vs. the other, though she emphasizes the importance of considering the whole picture before making decisions about which account to use. "Considerations that often go into the decision include personal savings goals, your source of income, (which can impact current and projected tax rates), and the rate of savings available as each account has its own contribution limits." She adds that it's also important to fully understand the features of each account type so you can make an informed decision about where and when to contribute.

DID YOU KNOW?

The total value of RRSP contributions across Canada in 2022 was $54 billion.[6]

Source: Statistics Canada

How can spousal RRSPs help me save money?

Swan says that spousal RRSPs allow Canadians to benefit from tax savings when one spouse earns considerably less than the other. Essentially, the spouse who earns more money is allowed to take advantage of their spouse's RRSP contribution room by making an RRSP contribution which reduces their annual taxable income. That's the first part. "There's also a benefit when it comes time to convert to a RRIF and the funds start to be withdrawn," she says. "The spouse in the lower tax bracket can then make the withdrawal." If executed properly, a spousal RRSP strategy can lead to less overall tax paid for the couple. It's also worth noting that withdrawing the income from a spousal RRIF can be delayed until the year following a younger spouse's 71st birthday if there's an age gap between spouses.

- Tamara Young

[1] TD Survey Finds Half of Canadians Know RRSPs and TFSAs are Critical to their Savings Strategy, But One in Four Don't Understand the Differences, TD Bank Group Newsroom, Jan. 27, 2020, accessed Nov. 28, 2024, td.mediaroom.com/2020-01-27-TD-Survey-Finds-Half-of-Canadians-Know-RRSPs-and-TFSAs-are-Critical-to-their-Savings-Strategy-But-One-in-Four-Dont-Understand-the-Differences.

[2] Registered retirement savings plan contributors and contributions, Canada, provinces and territories, Statistics Canada, April 29, 2024, accessed Jan. 27 2025, www150.statcan.gc.ca/n1/daily-quotidien/240402/t001b-eng.htm.

[3] What are RRSPs and how do they work? TD Bank, Jan. 2025, accessed January 27, 2025, www.td.com/ca/en/investing/direct-investing/articles/how-does-an-rrsp-work.

[4] Td Canadian index fund, td asset management, fund facts, July 2024, accessed January 27, 2025, www.td.com/content/dam/tdam/ca/en/pdf/tdb216e-en.pdf

[5] Registered retirement savings plan contributors and contributions, Canada, provinces and territories, Statistics Canada, April 29, 2024, accessed January 27, 2025, www150.statcan.gc.ca/n1/daily-quotidien/240402/t001b-eng.htm.

[6] Ibid.

What you should know about being an executor

Managing a loved one's Will after they have passed is a laborious responsibility, even for simple estates. If you've already agreed to the job, here's how you can make it a little easier.

When Sharon's* 87-year-old mother passed away, she was faced with the task of executing her Will. Although the estate was straightforward on paper — Sharon and her sister were the sole beneficiaries — she was surprised by how difficult the proceedings turned out to be. "Not only were my carefully prepared probate documents (initially) rejected, but because my mother lived in Saskatchewan and I live in B.C., I still had to do everything else from another province. It was a lot to manage."

*Sharon is a pseudonym.

Agreeing to be someone's executor is something many of us do without taking the time to consider what it is we're doing. And as a result, whether out of love or loyalty, we may find ourselves saddled with a task we're not fully prepared for.

"It's a tremendous amount of work and responsibility," says Nicole Ewing, Principal, Wealth Planning Office, TD Wealth. "And the challenge is that you're often doing this really big job at a time when you may also be grieving."

If you've agreed to be someone's executor, or think you might in the future, here are a few things Ewing says can help you prepare for the role.

Get acquainted with the process

Ewing says the first step is to learn about the estate administration process. And while specific requirements can vary provincially, the overall process is similar across Canada.

Typically, one of your first obligations is to apply for probate in the provincial court that has jurisdiction over the estate. Probate is a general term for the legal process that validates the Will and confirms the authority of the Will's executor, but the specific term may vary depending on the province or territory. In many cases, including those where the estate is small or where all assets are jointly owned with a spouse, probate may not be needed.

Once probate has been completed, the rest of the estate can be administered. That means settling any outstanding debts, filing the last tax return, paying taxes and, finally, distributing the remaining assets to the beneficiaries. You may also be required to close social media accounts, organize a funeral or ensure the assets aren't at risk. Plus, you may have to manage cancelling the deceased's pension, cleaning out their home, and then selling the property.

There are also deadlines to meet. If the person died before October 31, you have until April 30 the following year to file a final tax return. If they died after October 31, you have six months from the date of death to do so. If these deadlines are missed, there could be penalties and accrued interest on any outstanding taxes that are due. For more details on an executor's tax obligations, visit the Canada Revenue Agency website.

10 tasks an executor may need to do

- File probate documents with provincial court
- Safeguard assets: real estate, banking, investment accounts, etc.
- Coordinate transition of assets in consultation with legal and financial teams
- Organize and sell belongings, including real estate as directed
- Settle outstanding debts and arrange to pay outstanding taxes
- Close social media and electronic payment accounts
- Cancel pension(s)
- File last tax return
- Distribute assets to beneficiaries
- Manage any trust arrangements for minors

* Not an exhaustive list

Understand the risks

In addition to the many responsibilities you'll have, there are also risks to be aware of. Did you know, for example, that you could be held personally liable if things go awry?

"Let's say, for instance, that the deceased person's house burns down without house insurance," says Ewing. "As the executor, you're a fiduciary. That means you must act in the best interest of the beneficiaries and do what a reasonable person would in those circumstances. It would be unreasonable to leave the house without insurance — and the beneficiaries may sue you." Another example might be failing to adequately manage an investment portfolio, failing to meet a tax deadline or racking up interest. Even allowing impatient beneficiaries to convince you to distribute money before the tax bill has been paid could mean trouble.

Here's something else to keep in mind: Executing a Will can take years. While general estimates suggest it takes around a year, a host of variables can dramatically extend that timeline, including the existence of U.S. or international assets, probate court capacity, family squabbles, creditor disputes or missing documentation. Ewing also points out that "if any of the estate's beneficiaries are minors, you may be involved as the executor until they're 18, at a minimum."

She also says it's critical to understand these risks ahead of time. While you can always say "no" to the job, if you start acting as the executor, you can't stop without court approval. "Once you're in, you're in," she says.

Have the conversation now

Ewing says one of the best ways to prepare for your role as executor is to meet with the owner of the estate before they pass away to hash out the details. Among other things, Ewing suggests you take the time to review the Will together, build an inventory of the estate's assets, and discuss any special collections that require appraisal (e.g., art, vintage cars). You will also want to discuss any potential creditor or tax issues and learn how to contact the person's professional team, including their accountant and lawyer. She adds that you may also want to gently talk to the estate owner about downsizing and organizing their belongings if they haven't already.

Consult — or hire — a trust officer

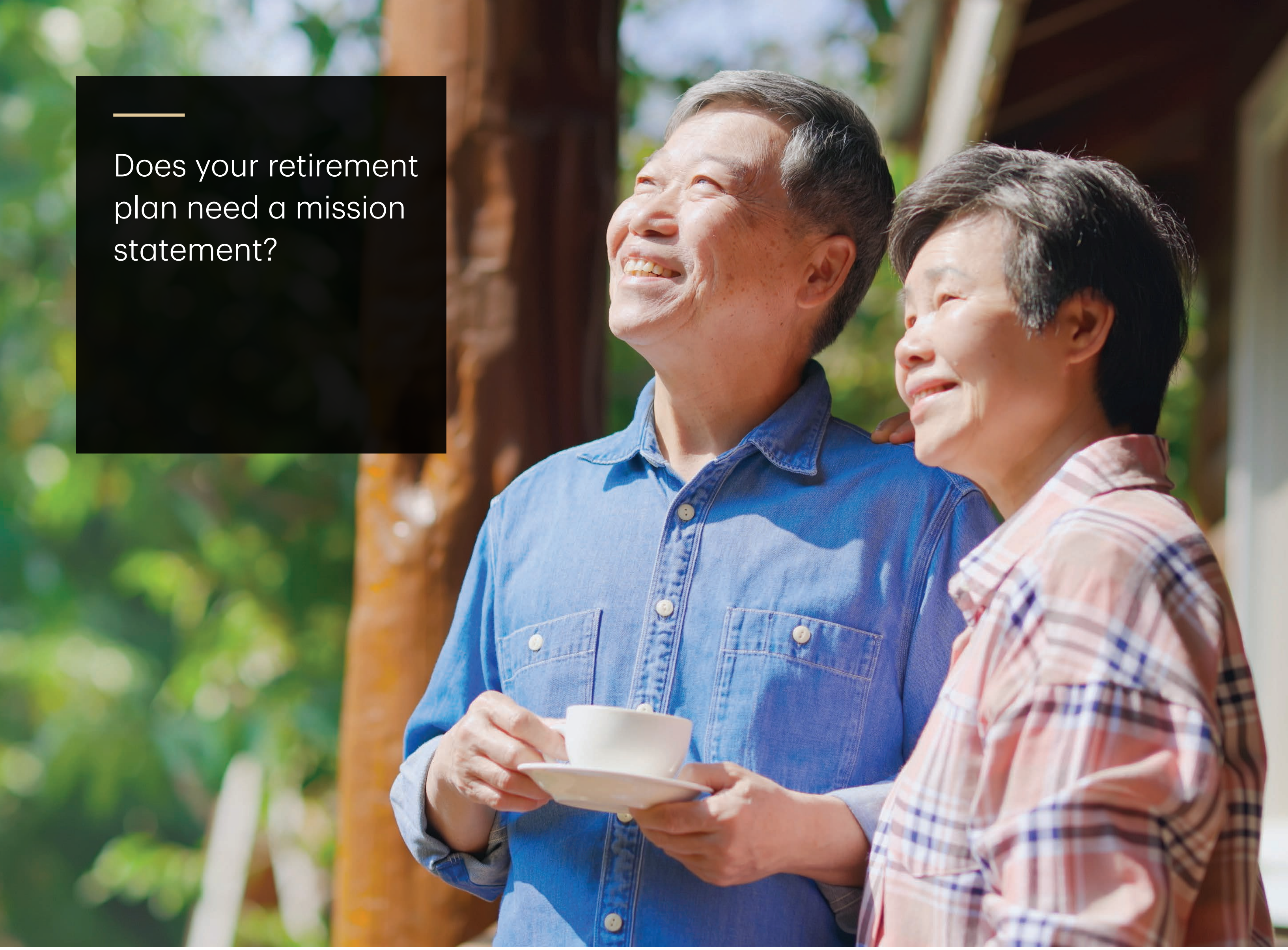
Ewing emphasizes that, while we want to do right for a family member, many of us are not qualified to manage a complex estate. "I think there's a general idea that, as executor, you can kind of figure it out as you go, but it's a lot more sophisticated. Particularly in this day and age when you have so many digital assets. It's very difficult just knowing what that person had."

Although it may not be possible to walk away from the job once you legally commit, Ewing says there are resources available for executors who find that they need help.

"I think it's actually one of the bank's best kept secrets," she says. "The fact is we have trust officers who do this day in and day out, who can step in as an agent." Ewing points out that not only can a trust officer help perform the required tasks, but they also have a network of professionals they can utilize for additional support. "Say you stumble across someone's valuable Lego collection," says Ewing. "As the executor, I wouldn't know what to do with that, but they do."

She also notes that when it comes to your own Will, there may be similar help available. TD Wealth, among other institutions, offers a variety of corporate executor services through TD Wealth Private Trust, including the ability to name a professional executor instead of (or alongside) a friend or family member. While there are costs involved that the estate would pay for, there may be value in having the estate managed by specialists.

- Tamara Young



Does your retirement plan need a mission statement?

Having trouble envisioning what your retirement might look like? It could be time to create a personal mission statement. Nicole Ewing, Principal, Wealth Planning Office, TD Wealth, provides some ideas about planning for life's third act.

What do you dream of doing in retirement? It's not that easy a question to answer. Despite popular notions of a leisurely retirement, many retirees will tell you there's only so much travel, golf or gardening you can do before you start craving something different.

Once you've had your fill of being a tourist or fixing up your home, you'll need to decide what to do with the rest of your time — and there could be a lot of it. If you're accustomed to holding down a 9-to-5 job, for instance, you'll need to account for an additional 2,050 hours each year.

So, where to begin?

You may need a retirement mission statement. Just as a company will draft a mission statement to identify the values that drive their business, your mission statement should outline the values that are important to you. Clearly articulated values can help you identify your purpose and direction in retirement. A good mission statement is typically only about one to three sentences long — but even that could take some serious reflection.

"A retirement mission statement can be a bit like the North Star, in that it provides direction and helps people understand what's possible," says Nicole Ewing, Principal, Wealth Planning Office, TD Wealth. She says she often encounters people who struggle to articulate their expectations of retirement.

Thinking about your post-work life is often critical, not just to your own well-being but to your finances, too. It's hard to know if you're saving enough — or too much — without knowing what you are saving for.

"It is not at all unusual for people to realize that they have significantly more resources than they expected," Ewing says. Translation: Some Canadians might be able to enjoy more of their wealth now, instead of waiting for the future.

Ask the big questions

Your retirement mission statement, once written down, can help you articulate and organize your plans and ideas for this next life phase. "It helps to define what you want in retirement and is written proof that you can refer back to if you're feeling off track," Ewing says. "Putting it on paper adds an additional level of precision to the statement."

Here are a few questions to help get you started:

Where do you want to live? Some place quiet near a lake or close to family?

What do you want to do? Venture on month-long cruises a few times a year, learn guitar, hit the links during the week or give back to the community? Maybe you'll decide you want to work part time.

> "A retirement mission statement can be a bit like the North Star, in that it provides direction and helps people understand what's possible."
>
> NICOLE EWING
> Principal, Wealth Planning Office, TD Wealth

While you're answering those questions, think about what you truly enjoy and whether you could see yourself doing more of it. But also consider what you'd do if things don't go according to plan.

Where would you find health-related assistance if you needed it? Would you move in with family or hire a live-in caregiver?

Here's something else to consider: You may not want to wait until retirement to try out some of these lifestyle changes. Travelling for months on end or taking a multi-year RV trip may sound great right now, but before you invest in a camper, you may want to consider taking shorter ventures to see if it's actually a lifestyle you enjoy, says Ewing.

Include friends and family in your thought process, as well. "You might want to better understand their goals, too," she says. "Are your plans tied to theirs?" For instance, if your mission statement highlights the value of time with family and friends, make sure they are not planning to relocate. On a similar note, if you're considering buying a place in Mexico to be near friends, you might want to confirm they intend to stick around for a few years.

"At the same time, don't get too anchored in someone else's vision of the future," says Ewing. "Know whether you need to expand your thinking or consider other possibilities." This applies to your partner, too. As important as it is to have a shared vision as a couple, recognize you may also have different interests.

Consider the financial side

Once you have a mission statement you like, you can use it to guide your retirement savings plan. "You don't have to have all the answers today," notes Ewing. "We just need to understand the overall direction to enable appropriate planning."

You can start by determining the appropriate cash flow you'll need in retirement and identify potential risks. If, for example, you plan to spend a lot of time outside of Canada in retirement, you may want to structure your portfolio differently to ensure you're not exposed to any unnecessary taxes if you need to access your funds while you are in another country.

If you're managing your own portfolio, you'll want to consider the cost of the lifestyle you're dreaming of. (And don't forget to factor in inflation.) An advisor or planner can help you run the numbers based on your income, spending and investments to see what's possible. They may even suggest ideas that you hadn't considered, based off those numbers, including the opportunity to buy a recreational property or leave more money to children and charity than you expected.

"Looking at the numbers can really help that conversation along," Ewing says. "Often, people are surprised by what's possible. It can spur some excitement and even take away some of that stress."

Get comfortable with change

As important as it is to think about what you want to do in retirement, it's just as important to understand that those plans can change. An injury or health issue that affects you or a loved one, rising inflation or an unexpected expense are just a few of the situations that could impact your plans.

As you approach retirement, Ewing says it's a good idea to continue checking in with your advisor or planner: "We want to make sure that everything is on track, and if it's not, how do we get back on course?" Doing this with the added benefit of a robust retirement mission statement can help remind you that you're in a good place.

"It's exciting to picture and plan what your future will look like and to feel confident that you know how to get there," she says. "The joy is that it's deeply personal, and you can define what it means to you."

- MoneyTalk Staff

TD Wealth