

# Saving for RETIREMENT

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## RETIREMENT SAVINGS OPTIONS

**RRSPs (Registered Retirement Savings Plans) and TFSAs (Tax-Free Savings Accounts)** are products designed as incentives to save up your bucks. These accounts act as containers for your investments. Inside them, your money can grow and accumulate tax-free. Each account type works a little differently:

### RRSP

RRSPs are basically a tax deferral program.

You'll pay tax on your savings when you withdraw them in retirement. The idea is that you'll be in a lower marginal tax bracket in retirement than you are in your working years. However, this is not *always* the case.

- Set up at a financial institution
- **\$30,780** annual contribution limit
- **Contributions are pre-tax**
- **Contribution amounts may be deducted** from your income tax return
- **Withdrawals** of investment income and contributions **are taxable**
- Early withdrawals are subject to a **withholding tax**

### TFSA

TFSAs are not strictly for retirement savings—they can be used for any savings goal.

TFSAs are flexible. Unlike RRSPs, you don't need to have earned income to contribute to a TFSA, and there are no age restrictions for making contributions or withdrawals.

- Set up at a financial institution
- **\$7,000** annual contribution limit
- **Contributions are after-tax**
- **Contribution amounts cannot be deducted** from your income tax return
- **Withdrawals** of investment income and contributions **are tax-free**
- Withdrawals can be made at any time.

The chart above is a simplified guide. Full details and exceptions are not listed here. To learn more, visit the [Canada.ca](http://Canada.ca) website or talk to your credit union.

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## PICTURE YOUR RETIREMENT

**Have you ever thought about what you want your retirement to look like?**

It's hard to do (especially if your retirement is *decades* away), but designing the life you want can be motivating.

Do you envision...

- ➔ Travelling the world?
- ➔ Pursuing a passion?
- ➔ Living the simple life?
- ➔ Settling in a new city?



**Why do they call it a "nest egg"?**

You may have seen retirement savings being referred to as a "nest egg". The term is at least 300 years old and describes savings set aside for a later use. It is likely derived from the farmers' practice of putting eggs into hens' nests as a way to induce more egg-laying. It's a weird analogy, but the term has stuck around to this day!

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