FRANKLIN TEMPLETON
INVESTMENTS

2017

Registered Retirement Savings Plans (RRSPs) vs. Tax Free Savings Accounts (TFSAs)

Where should you invest your hard-earned money?
It comes down to what your income is now and what you expect it to be in retirement. An important goal of any investment should be to keep your marginal tax rate as low as possible—now and later. RRSP withdrawls at any time, including retirement, are taxed. TFSA withdrawls are not.

If you earn less than $30,000, your tax rate is already low, so an RRSP contribution will probably not create a a large tax benefit. With a TFSA, you are contributing after-tax dollars, but will not have to pay any tax when you withdraw your money later.

If you earn $30,000–$80,000, both may be equally useful, depending on your current and future marginal tax rates. If your income is higher now than you expect it to be at retirement, consider an RRSP. If not, a TFSA might be better.

If you earn $80,000+, take advantage of both. Consider using your annual RRSP tax deduction to fund your TFSA contribution.

To learn more about TFSAs, please click here.

It is always a good idea to speak with your financial or tax advisor about the strategy that's best for you. For more information about RRSPs vs. TFSAs please contact your advisor or call our Client Services team at 1.800.387.0830.