# RRSP Quick Facts

## Who can contribute to an RRSP?

- If you have earned income, you can contribute to an RRSP up until the year you turn 69
- Contributions made in the first 60 days of 2005 can be applied against either your 2004 or your 2005 contribution.

## How much can you contribute?

| | Take the Lesser of | | | (-) Minus | | (+) Plus | |
|---|---|---|---|---|---|---|---|
| Tax Year 2004 | 18% Earned Income From 2003 | or | Maximum Limit $15,500 | PA* From 2003 | PSPA* From 2004 | Unused Contribution Room Accumulated after 1990 | PAR* From 2004 |
| | | | | If member of a pension plan | | | |

*Pension Adjustment and Past Service Pension Adjustment, Pension Adjustment Reversal

- You can also check your limit on the Notice of Assessment that Canada Revenue Agency sent you after processing your tax return. Your RRSP contribution limit is noted there, including any unused room.
- The Tax Information Phone Systems (TIPS) will also give your current contribution limit - Toll Free Number 1-800-267-6999. You must have your SIN and your previous year's tax return handy.

## Contributing In-Kind

- If you don't have the cash available to make your contribution, you can contribute securities you hold outside of your RRSP.
- Your "in-kind" contribution will be equal to the fair market value of the security when it is contributed.
- Contributions of securities are considered deemed dispositions; therefore, any capital gains must be reported. Losses cannot be claimed.

## Over-contributions

- You can over-contribute to your RRSP up to $2,000 (lifetime). While this is designed as a "cushion", many investors purposely make the over-contribution in order to have the extra funds working for them, tax-sheltered.
- The penalty for over-contributing beyond the $2,000 limit is 1% on the excess amount per month.
- The excess amount may be withdrawn (in cash or in kind) if the over contribution was accidental.
- The over-contribution can be used as deductions in future years.

## Foreign Content

- Investors can currently hold up to a maximum of 30% of the book value of their plan in foreign investments.
- The penalty for excess foreign content is 1% on the excess amount per month.
- Your ScotiaMcLeod Investment Executive can track your foreign content for you, to ensure you do not exceed your limit.

ScotiaMcLeod™

## Spousal RRSPs

- All or a portion of your contribution can be made to a spousal plan (which is in your spouse's name), but as the contributor, you get the deduction.
- Contributing to a spousal RRSP can be an effective way of income splitting, since the income that will be eventually withdrawn from the RRSP will be taxed in the hands of the spouse, who will be in a lower tax bracket.
- Attribution rules state that any funds withdrawn from a Spousal RRSP in the year of, or two years following a spousal contribution must be taxed in the hands of the contributor. The amount taxable will be the **lesser** of the amount withdrawn or the contribution amount.

## Contribution Carry Forwards

You can carry forward unused contribution room from 1991 onwards. This means that if you did not make your maximum contribution in any year since then, the leftover amount can be added to your current contribution limit.

## Scotia RRSP Loans

Whether you need to make this year's contribution or are interested in "catching up" on your unused contribution room, ScotiaMcLeod has the answer with the Scotia RRSP Catch-Up™ loan or the Scotia RRSP Catch-Up Line of credit, available through our parent company, Scotiabank. You can borrow up to $50,000 at rates as low as Scotiabank Prime, with various terms available.

For more information on RRSP loans, see your ScotiaMcLeod advisor.

## When You Turn 69

- You must collapse your RRSP funds by December 31 of the year in which you turn 69.
- If you are eligible to make a contribution, you must do so by December 31st (not the first 60 days of the next year).
- Once you have collapsed your RRSP, you can still make contributions to a spousal RRSP providing your spouse is under age 69 and you continue to have earned income.

### *Retirement Income Options: You have three options when collapsing your RRSP*

1. Roll your funds into a Registered Retirement Income Fund (RRIF)
2. Purchase an annuity
3. Take your RRSP savings in one lump sum payment.

   The third option is generally not advisable since cashing in your RRSP means being taxed on the whole amount, which could result in a hefty tax bill. Converting to a RRIF is the right choice for most investors, because a RRIF is the most flexible of your retirement income options.

   If you are turning 69 this year, or are interested in additional information on RRIFs or annuities, ask your ScotiaMcLeod advisor for a copy of our *Retirement Income: Considering the Options* brochure.

**For more information on RRSPs and RRIFs, please contact your ScotiaMcLeod advisor.**

ScotiaMcLeod™



8753-38 11/04