

## TAX MODULE - TAX ADVANTAGE INVESTMENT PLANS

NAME \_\_\_\_\_ DATE \_\_\_\_\_

<https://www.canada.ca/en/services/taxes/savings-and-pension-plans.html>

### TFSA

The Tax-Free Savings Account (TFSA) program began in 2009. It is a way for individuals who are 18 and older and who have a valid social insurance number to set money aside tax-free throughout their lifetime.

Contributions to a TFSA are not deductible for income tax purposes. Any amount contributed as well as any income earned in the account (for example, investment income and capital gains) is generally tax-free, even when it is withdrawn.

[https://youtu.be/i\\_bWf1NyUbE](https://youtu.be/i_bWf1NyUbE)

Why would I invest in an TFSA?	<ul style="list-style-type: none"><li>• TFSA investments grow tax free.</li><li>• They don't provide a tax deduction, but if you don't need the deduction (lower income), then this is a good option.</li><li>• As well, you never pay tax on the money you withdraw.</li><li>• It grows tax free the entire time it is invested and it's yours in the end.</li></ul>
How much can I put in?	<p>You will accumulate TFSA contribution room for each year even if you do not file an Income Tax and Benefit Return or open a TFSA.</p> <ul style="list-style-type: none"><li>• The annual TFSA dollar limit for the years 2009 to 2012 was \$5,000.</li><li>• The annual TFSA dollar limit for the years 2013 and 2014 was \$5,500.</li><li>• The annual TFSA dollar limit for the year 2015 was \$10,000.</li><li>• The annual TFSA dollar limit for the years 2016 to 2018 was \$5,500.</li><li>• The annual TFSA dollar limit for the year 2019 is \$6,000.</li></ul>
What can I do with the money?	<p>You can withdraw the money anytime TAX FREE.</p>
What happens when I take the money out of the TFSA?	<p>It's yours to spend! It may affect future year contribution room...</p>
What can I invest in?	<ul style="list-style-type: none"><li>• money, GICs and other deposits</li><li>• most securities listed on a designated stock exchange, such as shares of corporations, warrants and options, and units of exchange-traded funds and real estate investment trusts</li><li>• mutual funds and segregated funds</li><li>• Canada Savings Bonds and provincial savings bonds</li><li>• debt obligations of a corporation listed on a designated stock exchange</li><li>• debt obligations that have an investment grade rating</li><li>• insured mortgages or hypothecs</li></ul>
Who can invest in my TFSA?	<p>It is under your SIN so anyone can gift you money, but you will make the contribution into your own TFSA</p>

## **RRSP**

An RRSP is a retirement savings plan that you establish, that we register, and to which you or your spouse or common-law partner contribute. Deductible RRSP contributions can be used to reduce your tax.

Any income you earn in the RRSP is usually exempt from tax as long as the funds remain in the plan; you generally have to pay tax when you receive payments from the plan.

<https://youtu.be/bKMNgmMBSdE>

<p>Why would I invest in an RRSP?</p>	<p>RRSP's reduce your taxable income. They are used by individuals who want to pay less tax. As well, the income within the RRSP grows TAX FREE the entire time that it is invested.</p> <hr/> <p><b>Net income</b></p> <table border="1"><tr><td>20600 Pension adjustment</td><td>0.00</td></tr><tr><td>20700 RPP deduction</td><td>0.00</td></tr><tr><td>20800 RRSP/PRPP deduction</td><td>0.00</td></tr><tr><td>21000 Deduction for elected split-pension amount</td><td>0.00</td></tr><tr><td>21200 Annual union, professional, or like dues</td><td>0.00</td></tr><tr><td>21300 Universal child care benefit repayment</td><td>0.00</td></tr><tr><td>21400 Child care expenses</td><td>0.00</td></tr><tr><td>21500 Disability supports deductions</td><td>0.00</td></tr><tr><td>21700 Business investment loss</td><td>0.00</td></tr><tr><td>21900 Moving expenses</td><td>0.00</td></tr><tr><td>22000 Support payments made</td><td>0.00</td></tr><tr><td>22100 Carrying charges and interest expenses</td><td>0.00</td></tr><tr><td>22200 CPP/QPP deduction on self-employment and other earnings</td><td>0.00</td></tr><tr><td>22400 Exploration and development expenses</td><td>0.00</td></tr><tr><td>22900 Other employment expenses</td><td>0.00</td></tr><tr><td>23100 Clergy residence deduction</td><td>0.00</td></tr><tr><td>23200 Other deductions</td><td>0.00</td></tr><tr><td>23500 Social benefits repayment</td><td>0.00</td></tr><tr><td><b>23600 Net income</b></td><td><b>12,287.19</b></td></tr></table> <p><b>Taxable income</b></p>	20600 Pension adjustment	0.00	20700 RPP deduction	0.00	20800 RRSP/PRPP deduction	0.00	21000 Deduction for elected split-pension amount	0.00	21200 Annual union, professional, or like dues	0.00	21300 Universal child care benefit repayment	0.00	21400 Child care expenses	0.00	21500 Disability supports deductions	0.00	21700 Business investment loss	0.00	21900 Moving expenses	0.00	22000 Support payments made	0.00	22100 Carrying charges and interest expenses	0.00	22200 CPP/QPP deduction on self-employment and other earnings	0.00	22400 Exploration and development expenses	0.00	22900 Other employment expenses	0.00	23100 Clergy residence deduction	0.00	23200 Other deductions	0.00	23500 Social benefits repayment	0.00	<b>23600 Net income</b>	<b>12,287.19</b>
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<p>How much can I put in?</p>	<p>The Canada Revenue Agency generally calculates your RRSP deduction limit as follows:</p> <ul style="list-style-type: none"><li>• your unused deduction room at the end of the preceding year</li></ul> <p>Plus</p> <ul style="list-style-type: none"><li>• The lesser of the two following items:<ul style="list-style-type: none"><li>○ 18% of your earned income in the previous year</li><li>○ the annual RRSP limit (for 2019, the annual limit is \$26,500)</li></ul></li></ul>																																						

<p>What can I do with the money?</p>	<p><b><u>RRSP options when you turn 71</u></b> Your options for your RRSP when you turn 71</p> <hr/> <p><b><u>Home Buyers' Plan (HBP)</u></b> Withdrawing funds from your RRSPs to buy or build a qualified home</p> <hr/> <p><b><u>Lifelong Learning Plan</u></b> Withdrawing funds from your RRSPs for continuing education or retraining</p>
<p>What happens when I take the money out of the RRSP?</p>	<ul style="list-style-type: none"> <li>● report your RRSP income on line 12900 of your Income Tax and Benefit Return for the year the RRSPs are withdrawn</li> <li>● claim the tax deducted from box 30 of your T4RSP slip on line 43700 of your Income Tax and Benefit Return</li> </ul>
<p>What can I invest in?</p>	<ul style="list-style-type: none"> <li>● money, GICs and other deposits</li> <li>● most securities listed on a designated stock exchange, such as shares of corporations, warrants and options, and units of exchange-traded funds and real estate investment trusts</li> <li>● mutual funds and segregated funds</li> <li>● Canada Savings Bonds and provincial savings bonds</li> <li>● debt obligations of a corporation listed on a designated stock exchange</li> <li>● debt obligations that have an investment grade rating</li> <li>● insured mortgages or hypothecs</li> </ul>
<p>Who can invest in my RRSP?</p>	<p>Your spouse can invest in your RRSP- they will get the tax deduction and you will pay the tax when you withdraw it. This works great for couples who want to reduce their taxes</p>

**RESP [https://youtu.be/U\\_R60zS62Vo](https://youtu.be/U_R60zS62Vo)**

A registered education savings plan (RESP) is a contract between an individual (the subscriber) and a financial institution.

Under the contract, the subscriber names one or more beneficiaries (the future student(s)) and agrees to make contributions for them, and the financial institution agrees to pay educational assistance payments (EAPs) to the beneficiaries.

There are two different types of RESP available: family plans and specified plans.

<p>Why would I invest in an RESP?</p>	<p>RESP's grow tax free and contributions received grant money from the federal government</p>
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	<p><a href="#">Employment and Social Development Canada (ESDC)</a> provides an incentive for parents, family and friends to save for a child's post-secondary education by paying a grant based on the amount contributed to an RESP for the child. The Canada education savings grant (CESG) money will be deposited directly into the child's RESP.</p> <p><b>Who qualifies for the basic CESG</b></p> <p>No matter what your family income is, ESDC pays an amount of Canada Education Savings Grant (<b>basic CESG</b>) of 20% of annual contributions you make to <b>all</b> eligible RESPs for a qualifying beneficiary to a maximum CESG of \$500 in respect of each beneficiary (\$1,000 in CESG if there is unused grant room from a previous year), and a lifetime limit of \$7,200.</p>
How much can I put in?	<ul style="list-style-type: none"> <li>○ For 2007 and later years, there is no annual limit for contributions to RESPs, however, the lifetime limit on the amounts that can be contributed to all RESPs for a beneficiary is \$50,000.</li> </ul>
What can I do with the money?	<p>Use the money to go to post-secondary.</p> <p>If the beneficiary doesn't go to post-secondary, then you get your contributions back, but you lose the grant money</p>
What happens when I take the money out of the RESP?	<ul style="list-style-type: none"> <li>● The beneficiary will report your RESP income and grant income</li> </ul>
What can I invest in?	<ul style="list-style-type: none"> <li>● money, GICs and other deposits</li> <li>● most securities listed on a designated stock exchange, such as shares of corporations, warrants and options, and units of exchange-traded funds and real estate investment trusts</li> <li>● mutual funds and segregated funds</li> <li>● Canada Savings Bonds and provincial savings bonds</li> <li>● debt obligations of a corporation listed on a designated stock exchange</li> <li>● debt obligations that have an investment grade rating</li> <li>● insured mortgages or hypothecs</li> </ul>
Who can invest in my RRSP?	<p>Anyone can contribute to an RESP. They need the beneficiary's SIN</p> <p>A beneficiary under a family plan entered into after 1998, must be less than 21 years of age at the time he or she is named as a beneficiary. When one family plan is transferred to another, a beneficiary who is 21 years of age or older can still be named a beneficiary to the new RESP.</p>