



Tax Planning for Canadians Turning 65

Maximize RRSP contributions

- If you are in a middle to high tax bracket (\$90,000 + before tax) consider catching up on unused Registered Retirement Savings Plan (RRSP) contribution room
- Consider contributing to a spousal RRSP to equalize income in retirement
- It is not usually recommended to borrow money at this age to purchase RRSP's

No Pension? Turn \$50,000 of your RRSP into a RRIF

- Are you utilizing the \$2,000 pension tax credit?
- If not, you can withdraw \$2,000 from a Registered Retirement Income Fund (RRIF) and use the pension tax credit to offset the income tax
- The annual RRIF withdrawal rate at age 65 is 4% ($\$50,000 \times 4\% = \$2,000$)
- From age 65 to 71 you could withdraw \$12,000 ($\$2,000 \times 6$ years) tax free by starting part of your RRIF early

Maximizing contributions to TFSA

- Contribute to a Tax Free Savings Account (TFSA) after RRSP's are maximized or if you are in a lower tax bracket (less than \$90,000 before tax)
- Current annual limit is \$6,000, plus any unused limit from prior years
- TFSA amounts can be withdrawn any time, but there are time limitations on putting the funds back into the TFSA

Defer collecting OAS

- Old Age Security (OAS) will be clawed back with taxable income starting at \$75,000
- OAS monthly payment can be increased by 36% (0.6% per month) by deferring it until age 70 or until your income drops
- Deferring the OAS is only available if you have not started collecting or have received OAS for less than 6 months

Defer collecting CPP

- Deferring starting Canada Pension Plan (CPP) after age 65 will increase the monthly benefit by 0.7% per month (42% maximum)
- There is no clawback on CPP so the advantage of deferring is the increased benefit
- Deferring the CPP when you are in a higher tax bracket until a time when you are in a lower tax bracket will also be a permanent tax savings

Withdrawing RRSP money

- Consider withdrawing funds from your RRSP to supplement cash flow while you defer the OAS and CPP benefits
- Deferring the OAS or CPP will increase the monthly benefits you receive and may increase your overall benefits