MODULE 5

Preparing for old age

Handout 5-9

Everyone will have financial needs as they grow older. Your financial needs can include managing your expenses, paying off debt, or helping family members. To prepare financially, you can consider investing in registered products that will provide you income when you grow old. However, when it comes to investing in registered products, it is important to be aware of the main difference between a TFSA and RRSP.

Saving in TFSA

A TFSA is a good place to put money for retirement savings if you are on low income and currently pay little or no income tax. Your money grows tax-free, even when you take it out. Additionally, having a TFSA does not affect the amount of benefits you receive from government programs.

Saving in RRSP

When you put money into an RRSP account, it reduces the amount of income tax you have to pay in the tax year that you contributed. But when you get older and take your money out, you have to pay tax on what you have saved and earned. An RRSP makes sense if you have a steady income, and you want to reduce your taxes while you are working. But if you are living on a low income and getting government benefits, an RRSP may not be the best choice for you as the government might reduce some of your benefits when you take your money out.

Canadian Pension Plan (CPP)

This government plan provides income in the form of monthly payments after you retire. This payment depends on the amount you contributed while working.

Old Age Security (OAS)

This is a monthly pension you can receive if you are 65 years of age or older and have lived in Canada for at least 10 years – even if you have never worked.

Guaranteed Income Supplement (GIS)

This is aimed at supporting Canadians with low income who are 65 and above. The payment depends on income from the individual and their spouse.