

Registered savings accounts (RDSPs, RESPs, RRSPs, and TFSAs)

Registered savings accounts are accounts that are given special tax status by the government. Registered savings accounts include Registered Disability Savings Plans (RDSPs), Registered Education Savings Plans (RESPs), Registered Retirement Savings Plans (RRSPs) and tax-free savings accounts (TFSAs). Each plan has its own rules about taxation, contributions, and withdrawals.

Registered Disability Savings Plans (RDSPs)

Matched savings plans for people with disabilities to help them and their families save money for the future.

The government pays disability grants and bonds and match contributions made into an RDSP.

Any investment earnings made within an RDSP are not taxed.

Registered Education Savings Plans (RESPs)

Savings plans to help save for post-secondary education.

There are different government grants and incentives that will be paid into an RESP depending on household income and contributions made.

Any investment earnings made within an RESP are not taxed.

Registered Retirement Savings Plans (RRSPs)

Savings plans used to save for retirement.

There are tax advantages to having an RRSP:

- Contributions made in an RRSP reduce your taxable income for the year
- Investment earnings are not taxed as long as they remain in the RRSP

Contributions and earnings are tax-deferred, meaning you pay tax when you withdraw them from the RRSP account.

Tax-free Savings Accounts (TFSAs)

Savings accounts for Canadians aged 18 and over.

Contributions made to a TFSA are not tax deductible, but money in the account can grow tax free and is not taxed at withdrawal.

TFSAs tend to be more flexible than the other registered savings plans:

- You can take out the money for any reason.
- Any money that is taken out can be re-contributed the following year in addition to the annual maximum.

Good retirement savings tool for individuals on a low income:

- TFSA withdrawals do not affect government benefits like the Guaranteed Income Supplement (GIS) for seniors.