



# MONIC FINANCIAL

**THE FUNDAMENTALS**

Registered Savings Plans





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# ABOUT THE AUTHOR

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## ALEX HO

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Alex is a Financial Advisor with Monic Financial Ltd. where he brings a wealth of experience from his diverse background in non-profit to deliver a responsible and compassionate model of investment for his clients.

A graduate from the University of British Columbia with a Bachelor of Arts, Alex gained extensive experience throughout his career in fundraising and direct care in his years working with non-profit organizations across Vancouver, British Columbia. From his unique financial background, Alex is committed to providing an exceptional client experience based on a deep understanding of client concerns and needs.



# REGISTERED SAVINGS PLANS

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## What are Registered Savings Plans?

Simply put, **Registered Savings Plans** are government incentivized plans which offer tax benefits in order to encourage you to save your money.

These plans are all registered with the **Canada Revenue Agency** however they each have differing functions. The **four** main types of Registered Savings Plans are:

**TAX-FREE SAVINGS ACCOUNT (TFSA)**

**REGISTERED RETIREMENT SAVINGS PLAN (RRSP)**

**REGISTERED EDUCATION SAVINGS PLAN (RESP)**

**REGISTERED DISABILITY SAVINGS PLAN (RDSP)**



## Tax-Free Savings Account (TFSA)

The Tax-Free Savings Account (TFSA) is a savings vehicle created by the Canadian government. The primary benefit of the plan is that any **income generated from the savings inside the account is tax-free**. As such, most common forms of investments will be structured to be **compatible with your TFSA**. It is important to note that contributions into this account are **not** tax-free and there are **yearly limits** to how much you can contribute. The limit for 2021 is: **\$6,000**.



## Registered Retirement Savings Plan (RRSP)

The Registered Retirement Savings Plan (RRSP) is a tax-incentivized method of saving. As you put money into your RRSP, you will be able to **deduct** that amount from your taxable income and you will not be required to pay taxes on the contributed amount until you begin withdrawing your savings. Usually, withdrawal is done closer to retirement as you will anticipate being in a lower tax bracket and will thus have to pay less in taxes. **RRSPs are compatible with most forms of investments** and you can utilize your RRSP for optimized growth strategies. Like the TFSA, the RRSP has **contribution limits** - the current limit in 2021 for contributions is **18% of your employment income up to a limit of \$27,830**.



## Registered Education Savings Plan (RESP)

The Registered Education Savings Plan (RESP), is a savings vehicle to help you plan for your child's education. Upon completion of your child's secondary education, they will be able to withdraw money from their account and use it for **educational expenses** such as tuition, housing, books, etc. RESPs also benefit from government grants which offers a **20% match for any contribution made up to \$2,500** per account along with grants which apply to low income households. RESPs are eligible for investments though their growth is subject to tax. However, this tax will likely be minimal as students will often be in one of the lowest tax brackets. While there is no limit on how much you can contribute to a RESP per year, there is a **maximum contribution limit of \$50,000** per beneficiary to an RESP.



## Registered Disability Savings Plan (RDSP)

The Registered Disability Savings Plan (RDSP) is a plan which allows for you to save in a tax-advantaged way in order to support a person with a disability. The affected person will be able to **withdraw their savings from this account tax-free**, and the **earnings from the account subject to some taxes** - though often the person with a disability will pay **little or no income tax** on the income generated from the registered plan as it is eligible for certain investments. Similar to the RESP, there is no limit on the plan for how much you can contribute per year, but there is a **maximum contribution limit of \$200,000 in a lifetime** for a single person.

## SOURCES

Canada, Financial Consumer Agency of. "Government of Canada." Canada.ca, / Gouvernement Du Canada, 12 Feb. 2020, [www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/saving/saving-2/5.html](http://www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/saving/saving-2/5.html).

**INTERESTED IN LEARNING  
MORE ABOUT WHICH  
REGISTERED SAVINGS PLAN  
SUITS YOUR GOALS BEST?**

**Contact us at:  
WWW.MONICFINANCIAL.COM  
to learn more about how  
Registered Savings Plans can  
help you achieve your financial  
goals**