

# Why not use your RRSP contribution to fund your TFSA?

Several times a year, over the past eight years, I have read articles suggesting advice about RRSP and TFSA contributions.

## Conflicting Information

When I read these articles they seem to advocate that you contribute to your TFSA first, or only to your TFSA, or that you contribute to your RRSP first and then maybe your TFSA later, or vice versa.

I find this all pretty confusing and certainly feel that it does not help toward making a decision. You might agree.

## Why Not Use Both Plans?

Anyone with taxable income and some savings at the end of any year, should have some amount of RRSP contribution room (unless of course they are part of a fully funded pension plan with no excess RRSP contributions available).

Let's pick a young wage earner with \$5,000 of RRSP contribution room available. They have worked hard and managed to save \$5,000. They decide to contribute this to their RRSP. We will assume they are paying 30% marginal tax and therefore are eligible for a \$1,500 refund (or

tax credit) from Canada Revenue Agency.

Next because they are a strong saver, they contribute this \$1,500 refund to their TFSA.

If we pick any rate of return: 2%, 3%, or 5%, and we make our RRSP and TFSA contributions year in and year out, for 20 years, the compound results will be significant in both plans. Our saver/investor has benefited from using both plans, with help from our good friends at the CRA.

When we look at the discussion from this perspective, why would we not take advantage of both registered savings programs? I think any arguments about tax now and tax in the future should be muted, when we see the substantial retirement savings in both registered accounts, even if we use a guaranteed return of only 2%.

The TFSA still retains all of its withdrawal attributes and as our saver earns and saves more, they can fully contribute to both plans.

## For more information

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## About Whitehouse Wealth Management Group

With 29 years of investment industry experience, James Whitehouse and his team have grown alongside their clients and learned firsthand that successful Wealth Management is much more than managing investments. This insight led to their Sleep Well At Night or "SWAN" approach, which brings together all aspects of a person's life into a single, cohesive blueprint for their financial well-being.

James is a Chartered Investment Manager and a Fellow of the Canadian Securities Institute.

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