

## Last Stage RRSP Planning

Regulations require that an individual convert their RRSP to a RRIF or purchase an annuity by December 31<sup>st</sup> in the year they attain age 69. *Please take note that the deadline is December 31 and not March 31.*

However, you may still have “earned income” after reaching age 69. If this is the case, you still have a couple of RRSP planning opportunities available.

### Over-Contribute

Your RRSP contribution limit in the current year is based on your earned income for last year. As a result you may want to consider over-contributing to your RRSP before Dec 31<sup>st</sup>, and claiming the deduction in January next year. There is a 1% per month penalty on RRSP deposits over the \$2,000 over-contribution limit, however, the effect of this may be minor compared to the benefits of tax deferral.

Don't forget that you can also use any carry-forward room that you have. However, these contributions must be made before the end of the calendar year since that is the deadline to collapse your RRSP.

### Contribute to a Spousal RRSP

If you have made all your available contributions in the year you turn 69 and continue to have earned income (or if you did not use your unused RRSP carry-forward) you may want to consider contributing to a spousal RRSP. If your spouse is under age 70 you can use your contribution room for deposits into his/her spousal plan. These can be made up to and including the year your spouse turns age 69.

In addition to providing tax deductions for yourself, this strategy is an effective method of income splitting. The eventual income received from spousal contributions will be taxed in their hands, and this may be advantageous if your spouse is the lower income earner.

### What qualifies as Earned Income?

- Salary or wages
- Author's or inventor's royalties
- Executor's and juror's fees
- Net research Grants
- Taxable alimony or maintenance payments
- Income from a sole proprietorship
- Income as an active partner



- Net rental income from real estate
- CPP/QPP disability benefits

Earned income is reduced by:

- Deductible alimony maintenance and child support payments
- Rental losses

Most deductible employment-related expenses, such as union dues

Note: The above article is for information purposes only and should not be construed as offering tax advice. Individuals should consult with their personal tax advisors before taking any action based upon the information in this article.

