

IBEW Local 894 Spousal RRSP Plans

We all pay attention to lowering our income taxes during our earning years, but it's easy to overlook the importance of tax savings in retirement. An effective income-splitting tool to reduce taxes paid in retirement is to contribute to a spousal RRSP now as part of your retirement planning strategy.

The mechanics of a spousal RRSP

A Spousal RRSP offers an opportunity for one spouse to contribute to an RRSP for the other spouse. The contributing spouse receives a tax deduction for the amount of the contribution, while the ownership of the RRSP assets belong to the other spouse.

A spousal RRSP can be an effective way to ensure each of you has accumulated equal amounts of retirement savings. As everyone's financial circumstances are different, it is always a good idea to consult a financial advisor when starting a new plan.

Are you eligible?

You're eligible to contribute to a spousal RRSP if you are legally married or are common-law (including same-sex) spouses who have lived together for at least one year, or have lived together for less than one year and have a child together.

Know your contribution limits

The total amount of your contributions to a spousal RRSP and your own RRSP cannot exceed your personal RRSP contribution limit for the year. This amount is shown on your Notice of Assessment from the Canada Revenue Agency. Any contributions you make have no effect on your spouse's contribution limits.

For example, if you have \$10,000 of RRSP contribution room and your spouse has \$6,000, you can share your contribution any way you want between your RRSP and a spousal RRSP – as long as your total personal contribution and spousal contribution isn't greater than \$10,000. You could deposit the full \$10,000 in a spousal RRSP, and your spouse could still deposit \$6,000 into his or her own RRSP.

Beware of the 3-year rule

When your spouse withdraws funds from a spousal RRSP, the income is taxed in his or her hands. However, special rules apply to make sure the funds are earmarked for retirement and not intended as a short-term method of tax-reduction.

These rules require that the funds remain in the spousal RRSP for the two calendar years following the year of deposit. If the funds are withdrawn before that time, they are taxed in the contributing spouse's hands.

If the spousal RRSP is converted to a RRIF, the same attribution rules will apply if your spouse withdraws more than the minimum RRIF payment within three years of any spousal RRSP contributions.

Do you want to make RRSP contributions past age 71?

You cannot make contributions to your own RRSP after you turn age 71. However, if you have a younger spouse, you can still make contributions to a spousal RRSP until the end of the year your spouse turns age 71. If you still earn income, or you have unused RRSP contribution room carried forward from previous years, a spousal RRSP allows you to continue taking advantage of the tax-deferred growth opportunity for many years.



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If you would like to review the option of Spousal RRSPs in your Group Retirement Plan, please contact Reuter Benefits, at not cost to you, at 1-800-666-0142 or retire@reuterbenefits.com.



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