

# RRSP or TFSA

## Which one is best for you?

Both registered retirement savings plans (RRSPs) and tax-free savings accounts (TFSAs) are products that let you put away a portion of your income. They may also grow your money, tax-free, for as long as it remains inside.

Both are great products, but they work differently.  
Let's take a closer look at each of them.

### RRSP

**Don't pay tax now**  
**Grows tax-free inside**  
**Pay taxes later**

The money in your RRSP may grow tax-free.



Any amounts you contribute can lower your taxable income. So you could get a tax refund.



When you take out your money, you'll pay tax.



Ideal for long-term retirement savings. During retirement, your income may be lower. You may pay less income tax when you take money out.



Generally your limit is 18% of your previous years' earned income, up to a maximum amount which changes each year. There may also be other factors that affect your room such as a pension adjustment and/or unused contribution room from previous years.



### TFSA

**Pay taxes now**  
**Grows tax-free inside**  
**Don't pay tax later**

Any money you put into a TFSA has already been taxed.

You cannot use your TFSA to reduce your income taxes.

You don't pay tax when you take out your money or on your investment growth.

Ideal for short-term savings such as a vacation or a down payment for a home.

The TFSA limit for 2021 is \$6,000. If you have never contributed before, you may be able to contribute up to \$75,000 for 2021.

If you're thinking of contributing to an RRSP and a TFSA, consider your savings goals and when you want to withdraw the funds.

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