TFSA or RRSP

Since the introduction of the Tax Free Savings Account (TFSA) in 2009, many Canadians have wondered how it compares to the Registered Retirement Savings Plan (RRSP). Today many ask the following question: "Should contributions be made to a TFSA or to an RRSP?" The answer to this query is, ideally, contributions should be made to both savings vehicles, as it is high savings rates that drive both strong economies and households. If, however, contributions can be made to only one plan, the following considered:

- Contribute to an RRSP if you are in a mid-to-high tax bracket now and foresee being in a lower one when you will need to generate retirement income from your savings.
- Contribute to a TFSA if your income in your golden years will be sufficient enough to impact social benefits such as Old Age Security (OAS) being clawed back.

	TFSA	RRSP
Who can set up an account?	The plan holder must be 18, a Canadian resident and possess a valid SIN number.	In addition to the TFSA requirements, RRSP plan holders must have earned and reported income in the previous tax year.
How much can be contributed each year?	$5,500 per year.	Contributions are based on the lesser of 18% of the contributors previous years earned income to a maximum of $24,270 for 2014.
Are contributions tax deductible?	No.	Yes.
Is there a tax liability associated with withdrawals?	No, withdrawals are made on a tax free basis and any amount withdrawn can be contributed in the following year.	Yes, withdrawals are taxed in the year that the withdrawal is made (with the exception of withdrawals made under either the Homebuyers or Lifelong Learning Plans).
At what age does the account need to be converted?	There is no conversion date for a TFSA and contributions can be made throughout retirement.	In the year that the plan holder attains age 71, the plan proceeds must be taken in Cash, or rolled into either a RRIF or an Annuity.
How does the plan work with an estate plan?	The proceeds of the plan are not taxable to the estate and most provinces allow the plan holder to designate either a surviving spouse as a successor holder in the TFSA contract or an alternate beneficiary.	The value of an RRSP at death is included in the income of the plan holder in the year of death except when the beneficiary is: • the spouse or common-law partner • financially dependent child or grandchild under 18 years of age • financially dependent mentally or • physically infirm child or grandchild of any age. In these instances the RRSP may be rolled over on a tax deferred basis.
What are the investment options?	There are multiple investment options including: mutual funds, segregated funds & GICs.	There are multiple investment options including: mutual funds, segregated funds & GICs.