

How much can you contribute to an RRSP?

Source: SunLife Financial

To view this article online, [CLICK HERE](#)

RRSP contributions can lead to a nice surprise at tax time because they're deductible. But everything has its limits, including your RRSP.



It's little wonder why we Canadians love our registered retirement savings plans (RRSPs). Not only do they let us set aside money for retirement and allow the money to grow tax-free until it's withdrawn from the plan, but contributions can also lead to a nice surprise at tax time because they're deductible. In fact, for some of us, it's the one bright spot in an otherwise dreary season of receipt-wrangling.

For 2017, you're allowed to contribute the lesser of \$26,010 or 18% of your earned income for the previous year. Sounds simple, right? Well, not exactly. Robb Engen, co-author of the Boomer & Echo blog, says there are a few important things to keep in mind:

1. Unused contribution room

If you haven't contributed the maximum in previous years, you could have unused contribution room to carry forward. This will bump up the amount you're allowed to contribute. No need to do the math. Each year, the **Canada Revenue Agency (CRA)** does it for you. Just check the handy-dandy notice of assessment it sent you last year after processing your tax return and you'll find it lists and adds in your unused RRSP room when calculating your RRSP deduction limit for the current year.

2. Contributions to a pension plan

If you're a member of a pension plan at work, then you have to subtract your "pension adjustment" (PA). Once again, the CRA does this for you on your notice of assessment. There's no need to worry about this the first year you join a pension plan, as your PA for a year reduces your RRSP deduction limit for the following year.

3. Over-contributions

You're allowed to over-contribute up to \$2,000 to an RRSP. But if you go over that, you can be charged 1% per month on the excess amount. (Although, if you withdraw the extra funds right away and send a letter to the CRA explaining that it was a legitimate mistake, you may be able to obtain a waiver of the excess contribution tax.)

There's no question RRSPs are one of the best ways to save for your retirement. Just remember, everything has its limits, including your RRSP.

If you haven't already maxed out your RRSP contributions for 2017, there's still time. But Engen says, "Be careful. The CRA only allows contributions for the previous year for up to 60 days after year-end." The RRSP contribution deadline for 2017 is March 1, 2018.