

Comparing the TFSA, RRSP, PRPP/VRSP and NRSP

The table below compares certain features of a Tax-Free Savings Account (TFSA), a Registered Retirement Savings Plan (RRSP), a Pooled Registered Pension Plan (PRPP)/Voluntary Retirement Savings Plan (VRSP)¹ and a Non-Registered Savings Plan (NRSP). This information is provided as of January 1, 2018.

	TFSA	RRSP	PRPP/VRSP	NRSP
Tax deductible contributions	No	Yes	Yes	No
Employer contributions subject to payroll taxes (EI, CPP, QPP, etc.)	Yes	Yes	No	Yes
Annual contribution limit	\$5 500	\$26 230 ²	\$26 230 ²	Unlimited
Unused contribution room can be carried over	Yes	Yes	Yes	N/A
Withdrawals create contribution room	Yes	No	No	N/A
Impact of withdrawals on government income-based benefits (e.g.: GIS)	No	Yes	Yes	No
Withdrawals are taxable	No	Yes	Yes	No, except for investment earnings that have not been taxed previously at the time of the withdrawal
Investment earnings are taxable	No	No	No	Yes
Monies are locked-in	No	No	Yes/No ³	No
Maximum age for contributions	None	71	71	None
Capital loss deductible	No	No	No	Yes

¹ The PRPP is for employees and self-employed workers whose employment is federally regulated. The VRSP is for Quebec employees and self-employed workers. PRPP laws have also been introduced in British Columbia, Alberta, Saskatchewan, Nova Scotia and Ontario but they are not yet in effect.

² The 2018 yearly contribution limit under both the RRSP and the PRPP/VRSP is the lesser of 18% of your previous year's earned income or \$26 230.

³ For PRPP, both employer and employee contributions are locked-in. For VRSP, the employer contributions are locked-in but employee contributions are not.

WHAT YOU SHOULD KNOW

- TFSA contributions are made from after-tax income, and both the contributions and the investment earnings are non-taxable upon withdrawal
- NRSP contributions are also made from after-tax income but the earnings are taxable yearly as well as upon withdrawal. Also, there is no contribution limit with a NRSP.
- RRSP contributions are tax deductible, with both the contributions and investment earnings taxable upon withdrawal
- PRPP/VRSP contributions are also tax deductible. Some contributions (PRPP employer and employee contributions, and VRSP contributions) are however locked-in, and employer contributions are not subject to payroll tax (e.g.: EI, CPP, QPP, etc.). Both employee and employer contributions are taken into account towards the annual contribution limit.

- In Quebec, another option for a defined contribution plan is available for small employers: the Quebec Simplified Pension Plan

Given their complementary nature, the preference for contributing to a TFSA, a RRSP, a PRPP/VRSP or a NRSP will depend on an employees' particular savings needs as well as their current and expected future financial situation and income level.

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