Financial Basics for Canadians - Registered Products

RRSP

At retirement, your RRSP becomes a RRIF.

RRIF

You don't have to sell or change your investments when converting to a RRIF. Your "bucket" of investments can be rolled over (whether stocks, bonds, GICS, mutual funds and more) to your RRIF. You must however, have enough liquid (available to convert into cash) within your plan to fund your minimum payment from your RRIF account.

RRSP BASICS

During your working lifetime, you add deposits to your RRSP plan (Registered Retirement Savings Plan). The plan itself is not an investment, it's simply a tax shelter. You still need to decide what investments you'll hold within it (GICs, bonds, stocks, mutual funds and more. See my *Savings Options in Canada Visual Handout* for the pro's and con's of different shelters.)

- you add funds to your RRSP during your working lifetime (to a maximum allowable amount,
- you receive a tax deduction for your deposits,
- your deposits grow tax deferred while in the account/shelter.

RRIF BASICS

A RRIF (Registered Retirement Income Fund) is sort of like an RRSP, but in reverse. At retirement, you start to take funds out, no longer add new funds, and what stays in the plan continues to grow tax deferred (until you take it out).

- you no longer add funds to your plan,
- you must take a minimum amount out of the plan each year - the government sets this minimum schedule which changes each year,
- you can take as much out as you like, considering that all withdrawals are fully taxable,
- you still have the freedom of investing in a wide range of options as you would with your RRSP,
- your funds continue to grow tax deferred until withdrawn.

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