Savings Options in Canada

RRSP

Advantages:

- Savings grow tax deferred until retirement or withdrawn.
- Receive a tax deduction for contributions.
- Multitude of investment options (i.e. stocks, bonds, mutual funds and much more).
- Some flexibility for buying a home, going back to school, etc.
- Can name a beneficiary at death.

Disadvantages:

- Withdrawals are fully taxable (no favorable tax treatment for capital gains for example).
- Limits on how much you can contribute.
- Your work pension will reduce the amount you can contribute.

Non-registered Account

Advantages:

- No minimum or maximum amount that can be invested - unlimited what you can deposit.
- Funds can be withdrawn any time without tax consequences***** .
- Multitude of investment options (i.e. stocks, bonds, mutual funds and much more).
- Depending on what investment you choose, you may receive preferential tax treatment on your growth such as with capital gains or dividends.

Disadvantages:

- No shelter of interest or gains on your investment.
- Taxed (generally) each year on the interest or gain in your account.
- No tax deduction.
- Can not name a beneficiary at death.

*other than individual securities - some many trigger a tax when with drawn and if you're in a locked-in investment such as a GIC at your bank, you may be subject to their provisions

Tax Free Savings Account

Advantages:

- No minimum or maximum amount that can be invested - unlimited what you can deposit.
- Funds can be withdrawn any time without tax consequences***** .
- Multitude of investment options (i.e. stocks, bonds, mutual funds and much more).
- Investments are sheltered from tax.

Disadvantages:

- Maximum deposit allowed is $5,000 per year.
- No tax deduction.

*other than institution specific investments such as a GIC at your bank where you may be subject to their provisions.

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