



EARNED INCOME AFTER AGE 71

In general, you can make contributions to your own Registered Retirement Savings Plan (RRSP) up until the end of the year in which you turn 71 based on your RRSP contribution room. You are required to transfer your RRSP to a maturity vehicle, such as a Registered Retirement Income Fund (RRIF), by December 31st of the year you turn 71. If you do not transfer your RRSP to a maturity vehicle by the maturity deadline, your account must be redeemed in full and the assets must be added to your taxable income for the year.

Today, many people still have earned income in the year they turn 71 and in years following their 71st birthday. If you expect to have RRSP contribution room after the year in which you turn age 71, consider making an over-contribution to your RRSP before the maturity deadline. In other words, contribute in advance and claim the deduction in later years.

It is important to remember that over-contributions in excess of \$2,000 will be subject to a penalty of one percent per month.

OVER-CONTRIBUTION STRATEGIES

1. Make a \$2,000 over-contribution before the end of the year in which you turn 71 and claim the \$2,000 against earned income in later years. By choosing this option, you will not be subject to a one percent per month penalty*.
2. Make an over-contribution in excess of \$2,000 up to your expected RRSP contribution limit for the following year, in the year you turn 71. The one percent per month penalty will be applied at the end of the month in which you make the overcontribution. If you make the over-contribution at the beginning of December of the year you turn 71, the penalty will only apply for one month. The penalty should no longer apply in the year you turn 72 as your new RRSP contribution room will cancel out the penalty.

As long as you continue to have earned income, you will accrue RRSP contribution room; however, you can no longer contribute to your RRSP after December 31st of the year in which you turn 71.

*Assumes excess contribution limit of \$2,000 is still available.

OVER-CONTRIBUTION EXAMPLE

An individual who will turn 71 in 2016 continues to earn \$150,000 per year:

| | 2016 | 2017 | 2018 |
|---|-----------|-----------|-----------|
| Contribution room limit* | \$25,370* | \$26,010 | \$2,000 |
| December 1 st RRSP contribution made | \$53,380 | n/a | n/a |
| Total accumulated over-contribution | \$28,010 | \$2,000 | \$0 |
| Permitted over-contribution | (\$2,000) | (\$2,000) | (\$2,000) |
| Over-contribution subject to penalty | \$26,010 | \$0 | \$0 |
| Penalty: one percent per month | \$260.10 | \$0 | \$0 |
| Tax deduction | \$25,370 | \$26,010 | \$2,000 |

*The maximum annual RRSP contribution is 18 percent of the previous year's earned income, up to the maximum legislated amount (noted above), less any Pension Adjustment (not applicable in this example). The annual contribution limit is indexed to the cost of living.