

TFSA VS RRSP

Two Tools. One Financial Future.

As the March 2, 2026, RRSP deadline approaches, you may be considering your savings choices. TFSAs and RRSPs each offer unique advantages, and when used together, they can help you grow your savings, reduce taxes, and prepare for the future. Let's take a closer look!

What is a TFSA?

A TFSA allows you to save money tax-free. Contributions are not tax-deductible, but your investment growth and withdrawals are tax-free.

- Best for: Short-term goals, emergency funds, or supplementing retirement savings.
- Contribution Limit: \$7,000 for 2026 (subject to annual updates). Unused room carries forward.
- Flexibility: Withdraw anytime without penalties, and the room is re-added the following year.

What is an RRSP?

An RRSP is a tax-deferred account designed to help you save for retirement. Contributions are tax-deductible, but withdrawals are taxed.

- Best for: Long-term retirement savings, especially if you're in a higher tax bracket now.
- Contribution Limit: 18% of your earned income from the previous year (up to \$33,810 for 2026, plus unused room from prior years).
- Special Programs: Use the Home Buyers' Plan (HBP) or Lifelong Learning Plan (LLP) for specific goals.



Key Differences: TFSA vs. RRSP

Feature	TFSA	RRSP
Tax Treatment	Tax-free withdrawals	Tax-deferred withdrawals
Contribution Room	Not tied to income	Based on earned income
Best for	Short-term or supplementary savings	Retirement or high-income earners
Withdrawal Rules	Flexible, no penalties	Taxed at withdrawal (exceptions apply for HBP/LLP)

How to Decide?

- Pick TFSA if: You're saving for short-term goals, are in a lower tax bracket, or want flexibility.
- Pick RRSP if: You're focused on retirement, in a higher tax bracket, or want to reduce taxable income this year.
- Why not both? Maximize both accounts if you can. A TFSA can supplement retirement income tax-free, while an RRSP builds your nest egg.



RRSP Loans and Contribution Guidelines

Sometimes you want to contribute more to your RRSP but don't have the cash on hand. That's where an RRSP loan can help.

What's an RRSP Loan?

An RRSP loan is money you borrow directly into your RRSP. Instead of waiting to save, you can get your contribution in now.

Benefits

1. Lower Your Taxes Now

- a. You can use your tax refund to pay off the loan quickly.

2. Grow Your Retirement Savings Sooner

- a. The earlier your money is in your RRSP, the longer it can grow tax-deferred.

3. Maximize Your Contribution Room

- a. If you have unused RRSP room from past years, a loan can help you use it before the deadline.

Things to Keep in Mind

- Interest on RRSP loans isn't tax-deductible
- Make sure your expected growth and tax refund outweigh the loan cost
- Always have a plan to repay the loan

How To Find your RRSP Contribution Limit

Knowing your RRSP limit helps you avoid over contributing and plan how much to put in each year. You can find your limit by logging into your CRA MyAccount, on your Notice of Assessment, CRA phone service or Form T1028 (this is sent if there are changes to your limit).

How is it Calculated?

Your RRSP contribution limit is calculated base on a few different factors; such as.

- Unused room from past years
- 18% of last year's earned income
- Annual RRSP limit set by CRA
- Adjustments for pension plans

Don't Over-Contribute

You get a \$2,000 buffer, but anything over mayb incur a 1% per month penalty tax.

Who Can Contribute?

You can contribute to your plan until December 31st of year you turn 71 years of age and when you have an available RRSP deduction limit. You may contribute to your spouse/common-law RRSP until December 31 of the year they turn 71 years of age.

RRSP Season: Don't Miss the Deadline!

The deadline to contribute for the 2025 tax year is March 2, 2026. Contributions made before this date can lower your taxable income for the 2025 tax year, possibly leading to a refund.

How Can Stoughton Credit Union Help?

At Stoughton Credit Union, we're here to guide you through RRSP and TFSA options. Whether you're opening a new account or contributing to an existing one, our financial advisors can help you make informed decisions.

Contact us today to start saving!

