

Comparison of RRSP, TFSA and ordinary investing

	RRSP	TFSA	Ordinary Investments
Contributions tax deductible?	Yes	No	No
Investment income taxed?	No	No	Yes
Withdrawals taxed?	Yes	No	No
Maximum contribution per year	Lesser of 18% of earned income and \$21,000 for 2009	\$5,000 for 2009 (subsequently indexed to inflation)	No maximum
Effect of withdrawals on contribution room	Once funds have been withdrawn from an RRSP, the funds cannot be re-contributed unless the plan holder has generated additional contribution room	Funds withdrawn from a TFSA may be re-contributed to a TFSA at any time. After a withdrawal, contribution room for the next year is increased by the amount of the withdrawal	N/A
Effect of withdrawal on income tested benefits and credits	Withdrawals increase taxable income and therefore may decrease income-tested benefits and credits, such as old age security and the age credit	No effect	N/A
Deemed disposition on death resulting in income tax	Yes- the full balance of the RRSP is subject to tax at taxpayer's marginal rates, unless the RRSP is transferred to spouse	No	Yes - accrued investment income (capital gains, interest, dividends) is subject to tax unless investments are transferred to the spouse
Transferable to spouse on death on a tax-deferred basis?	Yes	Yes	Yes
Penalty on over contributions	1% per month on excess contributions	1% per month on excess contributions	N/A