

**Tax Tip**  
**April 11, 2011**

**Electing when to Deduct RRSP Contributions**

Although there are limits on the amount of Registered Retirement Savings Contributions that an individual is allowed, there is no requirement that the individual claim the deduction for income tax purposes in the same year as the contribution. For example, if a university student makes a RRSP contribution, his personal credits and claim for tuition may eliminate any tax liability. However, if the student has the available cash and makes a RRSP contribution, it may be advisable to defer the claim for a RRSP deduction to a future year when the individual has a higher marginal tax rate and can take better advantage of the RRSP deduction.

Individuals have the option of not making a contribution in periods of low income and the unused contribution room will carry forward to future years. However, if the cash is available, a RRSP contribution will start generating investment income that will continue to compound.

**Bottom Line** – Make the RRSP contributions as earlier as your circumstances permit, but make the claim for the deduction in a year when there are either taxes payable or the taxpayer has a reasonable level of income.