

Tax Tip
Week of April 26, 2010

Maximizing RRSP Contributions

The following tactic allows individuals to increase the size of the RRSP by making an additional contribution. Consider making the RRSP contribution at the start of the year, rather than in the sixty-day period following the end of the calendar year, when most taxpayers make their RRSP contribution. By contributing early in the year, an individual can effectively make an extra RRSP contribution. For example, assume two taxpayers make annual RRSP contributions of \$10,000 and both start contributing in 2010. If individual A contributes in January of 2010 and every January thereafter, whereas individual B makes his contribution fourteen months later (just prior to the March 1 deadline) the contributions would be:

Year	Individual A	Individual B
2010	\$10,000	-
2011	\$10,000	\$10,000
2012	\$10,000	\$10,000

By contributing at the start of the year, rather than at the end, the individual has made an extra RRSP contribution. This does not impact the size of the tax refund, but it does allow a greater period for the investment income to compound tax-free.

Whenever possible, taxpayers should make their RRSP contribution at the start of the year, rather than in the 60 day period following the end of the calendar year. This tactic maximizes the time line in which investments can grow tax free.