

RETIREMENT & TAXES



Keep your tax bill as low as possible during your retirement

Preparation is key in the years leading up to retirement. Rather than reacting to changes in your tax situation, proactive planning can ensure lifelong financial security. One approach is to utilize a mix of accounts with different tax treatments to better manage taxable income in retirement. You have three main account types at your disposal, each with its own unique tax advantages.

Account types	Tax-deferred accounts	After-tax accounts	Taxable accounts
Account names	RRSPs	TFSAs	Traditional bank and brokerage accounts
Tax details	<p>Contributions made to Registered Retirement Savings Plans result in a direct reduction of your taxable income for the year in which the contribution is made</p> <p>Additionally, any pre-tax contributions and gains in these accounts are tax-deferred until retirement, at which point withdrawals are subject to ordinary income tax rates</p>	<p>Tax-Free Savings Accounts are funded with after-tax dollars, meaning they do not lower your current taxable income</p> <p>However, withdrawals from these accounts, including appreciation, income or distributions, are tax-free</p>	<p>These accounts are funded with after-tax dollars</p> <p>In brokerage accounts, you have the flexibility to trade securities and deposit or withdraw funds at your discretion without facing penalties</p> <p>Taxable investment income is subject to taxation in the year it's earned, and profits from the sale of investments are subject to capital gains taxes</p>
Mandatory minimum withdrawals	<p>By the end of the year that you turn 71, you must close your RRSP; you can convert it to a RRIF</p> <p>You must start withdrawing money from your RRIF in the year after you open it</p>	Exempt	Exempt

Seek professional advice

Consulting a tax professional can provide valuable guidance in navigating these decisions effectively.

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