

The benefits of spousal RRSPs



If you have a partner, you can contribute to your spouse's RRSP under certain conditions. And doing so gives you some attractive advantages in a number of scenarios.



Scenario 1: Pay less income tax when you retire

For example, if Michelle has \$10,000 in unused RRSP contribution room, and she contributes \$5,000 to the RRSP of her spouse Paul, she will have \$5,000 of contribution room left to contribute to her personal RRSP. **There's no change to her contribution limit**, so contributing to a spousal RRSP instead of her own won't make a difference in the taxes she has to pay. **However, when they're retired and likely earning less than when they were working, Paul and Michelle will pay less in taxes overall if they each withdraw \$5,000 than they would if Michelle withdrew \$10,000.** It's as if 1 + 1 doesn't equal 2.



Scenario 2: Make it easier to buy a home

The Home Buyers' Plan (HBP) allows first-time homebuyers to withdraw up to \$35,000 from their RRSP to buy or build a qualifying home. If two of you are buying a home together, that's \$70,000 (\$35,000 x 2). So, if Bob doesn't have the money for a down payment, but his spouse John is able to put \$35,000 into his RRSP, they can simply wait at least 90 days after making the contribution to take advantage of the program to buy a home **and reduce John's taxes** at the same time.



Scenario 3: Finance major projects

Francis and Louise are expecting a baby. Since they've been planning for several years to have Louise stay home for a few years to care for the little one, Francis has been contributing to Louise's spousal RRSP for the last 5 years. This way, while she's at home, she'll be able to make RRSP withdrawals. They had to plan this strategy so that income splitting between Francis and Louise could work properly. And even though there will still be income tax to pay when she withdraws the money, she'll be paying less since she's earning less. That's the beauty of income splitting.