Retirement Savings Time

This time of year invariably encourages people to think more about their finances: holiday bills are rolling in, New Year's resolutions to get your financial house in order are still hanging in the air, and banks and investment companies seem to have overtaken the airways with ads for retirement plans.

Contributions to an RRSP plan are deductible from income tax so they offer a great way to make the most of your money. The 2014 RRSP contribution deadline is March 2nd.

For 2014, the RRSP maximum contribution is the lesser of 18% of your 2013 earnings and $24,270. In 2015, that maximum increases to $24,930.

Another savings vehicle worth considering is the Tax-Free Savings Account (TFSA). While contributions are not tax deductible, withdrawals are not considered taxable income. Contributions can be made up to $5,500 and funds are not locked in until retirement. This offers **access to funds in the event of an emergency** or change in investment priorities. Furthermore, depending on your tax bracket, a **TFSA may offer more tax relief than an RRSP.** If you have a lower income now than what you project for retirement, then a TFSA may be a better option since you pay income tax on the lower current earnings as opposed to an RRSP where you will pay income tax on the higher amount withdrawn in retirement.

With the holiday bills rolling in, where do you find the money to contribute?

One idea is to set up an **automatic withdraw plan** to make smaller monthly contributions. You may also look at asking your employer to make contributions from your pre-tax income so you can have the **immediate savings** of the tax deduction instead of waiting for it to be refunded at the end of the year when you file your tax return.

Does your employer offer a retirement savings plan? If so, there may be matching component whereby **your contributions to the plan are matched by your employer** up to a certain amount (ex. 2% of income). Many plans offer this feature, yet only about 19% of employees with access to such a plan maximize their savings this way. Matching contributions can **double your money**. Unless there is a true financial constraint preventing any sort of contribution, there is no need to leave this benefit on the table.

Review your expenses – are you paying for memberships or subscriptions that you are not using that you can cancel and **redirect the funds to your savings plan**? What are your monthly lunch and coffee expenses? Packing a lunch and taking a travel mug of home brewed coffee can save a surprising sum - and it's often healthier – a win-win!

While the pressure is on to get your 2014 contributions made before March 2nd, investment and retirement savings should be a year-round goal. Make it so for 2015.

Sources:

Benefits & Pension Monitor Online- DC Members Unprepared for Retirement www.bpmmagazine.com