MoneySense

The right way to use a spousal RRSP

Lowering taxable income is rule No.1

by Bruce Sellery
May 19th, 2016
From the June 2016 issue of the magazine.

Q: I earn $30,000 per year at a part-time job and collect $48,000 in pension. My husband still works and earns $85,000 annually, but has no pension. Should I contribute to a spousal RRSP to lower his income and improve his retirement portfolio?

— AnnMarie Wolf, Toronto

A: Spousal RRSPs are a great tool to spread out a retirement nest egg and reduce income tax. But in your case, a regular RRSP for your husband works best. “Even after the additional income, his marginal tax rate is at least a few percentage points higher than hers, so he’d benefit more by making his own RRSP contributions,” says Noel D’Souza, a Toronto CFP with Money Coaches Canada. Another reason not to contribute to a spousal RRSP: Any investment you make uses up your RRSP contribution room, not your husband’s, and lowers your taxable income, not his. Instead, you should take on more household expenses, freeing up your husband’s income to maximize his RRSP contributions. In retirement, you want your incomes to be as close as possible, to minimize the tax you pay as a couple.

Ask MoneySense: Leave your question for Bruce Sellery »