

# Everyone needs an RSP right? Wrong!

By Dawn Marchand

The deadline to make a contribution to your Retirement Savings Plan (RSP) is March 1st, 2019. Most people will likely benefit from opening an RSP early, investing regularly, and staying invested for the long haul.

But perhaps, you are not like most people.

## MAXIMIZING TAX BREAKS

If you are a new lawyer, and your career is just taking off, making an RSP contribution while your salary is relatively low means you won't get a very big tax return because you are not in the highest tax bracket yet. You may get more tax bang for your buck by letting your contribution room grow and saving it for those years when your income is high and you could make good use of a tax break.

## A TFSA MAY BE A BETTER ALTERNATIVE

A Tax-Free Savings Account (TFSA) is a great alternative to making RSP contributions while your income is low and you are still evaluating your long-term alternatives. Contributing to a TFSA does not lower your taxable income so you don't get a tax refund. But, your investment grows tax-free for life and does not get added to your retirement income for tax purposes. In addition to tax-free growth, TFSAs also offer:

**Liquidity** You can withdraw money from your TFSA at any time, with no penalty. The only caveat is that you can't put it back in until the following year. That's not a huge price to pay for anytime access to your investment.

**Flexibility** You can buy all kinds of investments within a TFSA account. That means you can set your own goals, decide on a level of risk that makes you comfortable, and use any combination of cash, fixed-income, and equity investments to grow your savings.

## SO WHAT'S RIGHT FOR YOU?

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