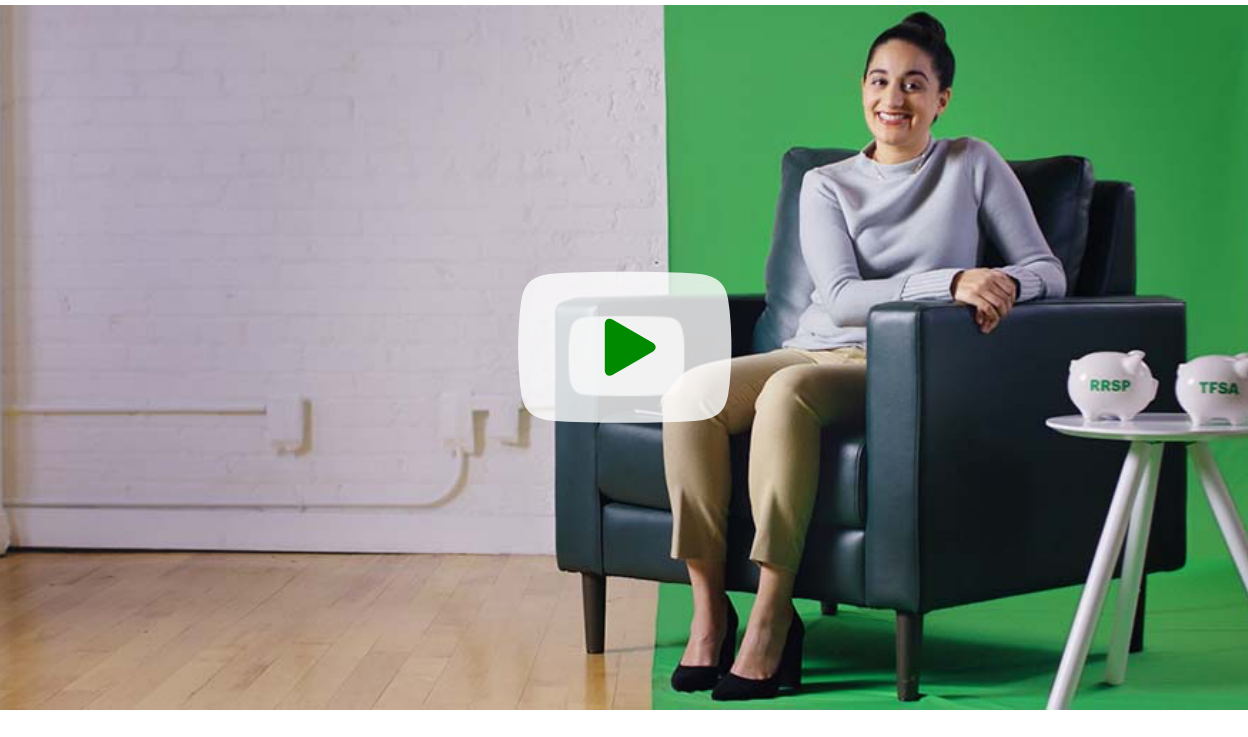


## TFSA vs. RRSP: What's the Difference?



Can you save for the future and get a tax break? TFSAs and RRSPs both offer tax advantages that can help you achieve your saving and investing goals. So, which is right for you?

The truth is, how you should protect your income isn't always clear cut, but your savings plan can include a TFSA or an RRSP or both. But – if you must choose one over the other, it's important to understand how they differ.

Here are some important considerations to help you decide which option is right for you.

### Comparing account features

- Primary Use** - RRSPs are typically used to save for retirement. TFSAs are typically used to save for any purpose.
- Eligibility** - You can contribute to an RRSP after you start earning income from employment or certain other sources. To open a TFSA at TD, you must be the age of majority in your province or territory of residence.
- Contribution Limit** - The 2025 contribution limit for a TFSA is \$7,000. Your 2025 RRSP contribution limit, on the other hand, is 18% of your earned income reported on your 2024 tax return or \$32,490 – whichever is lower, subject to certain adjustments.
- Unused Contribution Room** - Your unused contribution room is carried forward for RRSPs & TFSAs.
- Withdrawals** - RRSP withdrawals are taxable, subject to certain exceptions. With a TFSA, you can withdraw money any time, tax-free!¹
- Withdrawn Amounts** - When withdrawing funds from an RRSP, your contribution room is lost for amounts you withdraw subject to certain exceptions. For a TFSA, withdrawn amounts are added back to your contribution room in the following year.
- Taxation** - Contributions made to your TFSA are not tax-deductible. RRSP contributions are tax - deductible. This means any contributions you make may reduce the amount of tax you pay on your personal income.
- Plan Maturity** - An RRSP matures at the end of the calendar year in which you turn 71. There is no upper age limit for a TFSA.
- Spousal Plan** - You can contribute directly to a spousal RRSP. There are no spousal TFSAs.

### What is your savings goal?

Different people save for different reasons. From saving for your retirement to having enough money for a down payment on your first home, it's never too early, or too late, to get started.

People may use registered savings options like TFSAs and RRSPs differently, based on their personal situations. What's important is to think about your own goals for the future and then speak to a TD representative about the type of option to help you achieve those goals.

### Saving for retirement

If you're saving for retirement, then an RRSP may be a great choice. When you contribute into an RRSP, you defer paying tax from your peak earning years to retirement, when your income and tax liabilities may be lower. Think of it as a strategy that can optimize your saving capabilities.

While a TFSA is not specifically designed as a retirement savings account, its flexibility potentially can make it an excellent complement to an RRSP. If you have already maximized your RRSP contributions, then a TFSA may be an option for you to save more money and get the benefits of tax-free growth and withdrawals.

Look at the different scenarios below. Both Albert and Golnoosh are saving for their retirement, but they have different strategies.

+ Scenario 1: Saving for Retirement with an RRSP

+ Scenario 2: Saving for Retirement with a TFSA

### Will you have other sources of income?

It's important to understand how your RRSP and TFSA can impact your eligibility for some federal income-tested benefits such as Old Age Security (OAS). The full OAS pension is available to those with incomes lower than \$90,997 (2023), meaning that any income above this limit will reduce the amount of benefit you're entitled to. For more information on public pensions visit the [Government of Canada website](#).

### How much can I save with a TFSA?

A TFSA means you won't be taxed on any of the growth or income earned within the account. Which means your savings can grow even more. Want to know by how much? Use our TFSA Calculator to [calculate now](#).

### Saving for a home down payment

The Home Buyers' Plan (HBP) is a program that allows first-time home buyers to withdraw up to a maximum of \$60,000 from their RRSP towards buying their first home².

If you're saving for a new home, a good strategy can be to use the money from your RRSP to help pay for your down payment. The amount withdrawn can be paid back into the RRSP through instalments over a 15-year period.

Look at the different scenarios below. Both Samantha and John are saving for a down payment on a home, but they have different strategies.

+ Scenario 1: Saving for a Home Down Payment with an RRSP

+ Scenario 2: Saving for a Home Down Payment with a TFSA

### What about the Lifelong Learning Plan (LLP)?

The Lifelong Learning Plan (LLP) allows you to withdraw amounts from your RRSP to finance eligible training or education for you, your spouse or your common-law partner². You don't have to include the withdrawn amounts in your income, and there is no withholding tax on these amounts. Withdrawals made must be repaid to the RRSP over a period of no more than 10 years, and unpaid amounts must be included in your income for the year they were due.

A TFSA can also help you to save for your education, but, withdrawals are treated differently; whereas LLP withdrawals must be paid back, there is no obligation to pay back TFSA withdrawals.

### What about your income tax bracket?

The higher your income, the higher your personal tax bracket and the lower your income, the lower your personal tax bracket may be. If you're in a low tax bracket, consider putting your money into a TFSA to help build up your capital. As you enter higher income brackets, you can withdraw your TFSA funds and make contributions into your RRSP to help lower your income taxes.

### See what types of RRSPs TD offers

Start saving for what's essential to you.

Open a RRSP or TFSA with TD and start saving for your retirement.

Get started

### Ways to apply

#### Apply for a TFSA

Fill out an online TFSA application if you already have a TD Canada Trust chequing or savings account

🔒 Apply online

#### Book an appointment

Meet a banking specialist in person at the branch closest to you.

Book now

#### Call us

Our banking specialists are ready to answer your questions and can assist you in opening your RRSP.

1-800-386-3757

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