Fidelity Investments®

# Fidelity *fundamentals*

Essential information for mutual fund investors

## Plan ahead with a spousal RRSP

**Spousal RRSPs are an effective way to reduce the combined income tax paid by you and your spouse during retirement. They are suitable when one spouse expects to have a significantly higher retirement income or a superior employer pension plan.**

If your spouse will be in a lower tax bracket at retirement, you can shift retirement income by contributing to a spousal RRSP. The money in a spousal RRSP then belongs to your spouse, so any withdrawals are taxed in your spouse's hands (unless the withdrawal is in the year of contribution or the two years following, in which case, the income is attributed back to you).

When you contribute to a spousal RRSP, you receive the tax deduction for the full amount contributed, up to your annual maximum. In other words the tax deduction is applied against your RRSP deduction limit for the year, not your spouse's. Your spouse may also make a contribution based on his or her own RRSP contribution limit for the year. You can contribute to a spousal plan as long as your spouse is still under age 69, you have qualifying earned income, and you have unused RRSP contribution room.

The following example illustrates how a spousal RRSP can be used to lower the income tax paid when withdrawing RRSP savings during retirement. The table shows the advantage of shifting $10,000 in income from Spouse A to Spouse B at marginal tax rates of 52% and 27%, respectively. As you can see, by shifting the income to the spouse in the lower tax bracket, the total tax owing is reduced from $5,200 to $2,700. This increases the after-tax income by $2,500.

| | SPOUSE A | SPOUSE B |
|---|---|---|
| Taxable Retirement Income | $10,000 | $10,000 |
| Marginal Tax Rate | 52% | 27% |
| Total Tax | $5,200 | $2,700 |
| After-tax Income | $4,800 | $7,300 |

To learn more about these or other investment ideas, contact your Investment Professional, visit us on-line at

*www.fidelity.ca*

or call Fidelity Client Services at **1 800 263-4077.**

*Read a fund's prospectus and consult your Investment Professional before investing. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Investors will pay management fees and expenses, may pay commissions or trailing commissions, and may experience a gain or loss.*