



RRSP OPTIONS: TO WITHDRAW OR NOT?

Are you thinking of withdrawing an amount from your RRSP to pay expenses or pay off debts? Before proceeding, it is important to understand the consequences of this operation and to consider the other options available to you. Here are a few brief answers to common questions.

CAN I WITHDRAW AN AMOUNT FROM MY RRSP TO SETTLE MY DEBTS OR EXPENSES?

It is possible, but it should never be your first option. Withdrawing money from an RRSP before retirement has several tax consequences.

Early withdrawal = deductions

No matter how much you have accumulated in your RRSP, you will not be able to take full advantage of it to pay off debts. At the time of disbursement, your financial institution will withhold taxes at source. Here are some examples:

QUEBEC		
Amount withdrawn from RRSP	Withholding rates*	Examples
Up to \$5,000	20%	Deregister \$5,000 - withheld at source \$1,000 = balance available \$4,000
\$5,001 to \$15,000	25%	Deregister \$15,000 - withheld at source \$3,750 = balance available \$11,250
More than \$15,000	30%	Deregister \$16,000 - withheld at source \$4,800 = balance available \$11,200

ALL PROVINCES OTHER THAN QUEBEC		
Amount withdrawn from RRSP	Withholding rates*	Examples
Up to \$5,000	10%	Deregister \$5,000 - withheld at source \$1,000 = balance available \$4,000
\$5,001 to \$15,000	20%	Deregister \$15,000 - withheld at source \$3,000 = balance available \$12,000
More than \$15,000	30%	Deregister \$16,000 - withheld at source \$4,800 = balance available \$11,200

*Rates may vary and are given as examples.

➔ In addition, depending on the type of investment, your financial institution may charge additional exit fees.

Adding withdrawals to taxable income

If your total taxable income is near the upper limit of a tax bracket, the amounts withdrawn from your RRSP could push you to a higher tax rate.

For example, in 2023, a Quebecer earning \$40,000 and withdrawing \$10,000 from an RRSP moves into the next taxable income bracket, which ranges from \$45,105 to \$90,200. This person will be taxed at 20%, instead of 15%.

Tax brackets differ by province and territory. They can also change from year to year, so it's important to be well informed.

Loss of contribution room

When you deregister funds from your RRSP, the contribution room you received in the past is not renewable. Once your financial health is restored, you will not be able to put the money back into your RRSP. A ceiling and a maximum percentage of your salary are set each year for your RRSP contributions.

Pension fund decrease

RRSPs are an investment for retirement. For workers who contribute to an employer pension plan, RRSPs can become a source of supplementary income. For others, such as the self-employed, it will often be the only retirement income, with the exception of government pensions.

Regardless of your situation, by depriving yourself of these savings, you can jeopardize your comfort in retirement, at an age when unexpected health-related expenses, for example, may be necessary.

Opportunity cost

Withdrawing an amount from your RRSP before retirement deprives you of the opportunity to grow your money over the long term. For example, an amount of \$7,000 invested in an RRSP for 30 years, with an annual rate of return of 5%, will result in gains of \$24,274, for a total of \$31,274.

SHOULD I WITHDRAW MONEY FROM MY TFSA?

In general, it is better to withdraw from a TFSA than an RRSP. The amounts withdrawn from the TFSA are not taxable and you will have your contribution room back the following year. However, disbursing an amount from your TFSA should be a last resort. This savings tool is often used to supplement retirement income or to carry out medium- or long-term projects.

WHAT ARE THE OTHER OPTIONS TO PAY OFF MY DEBTS

Before you deregister an amount from your RRSP or TFSA, it is recommended that you meet with your advisor to explore other possible options depending on your situation. In addition, they can offer you tools and advice to pay off your debts, better manage your finances and improve your financial health.

RRSP WITHDRAWALS: TWO POSSIBLE OPTIONS

There are two scenarios where it may be worthwhile to withdraw money from your RRSP before retirement:

1 Home Buyer's Plan (HBP)

When purchasing or building an eligible property, you can withdraw up to \$35,000 from your RRSP to make a down payment. You have up to 15 years to repay the amount from the second year after the withdrawal.

2 Lifelong Learning Plan (LLP)

If you return to school, it is possible to disburse money to pay tuition and other fees related to studies. The maximum annual withdrawal is \$10,000 and the total cannot exceed \$20,000. You have 10 years to repay the amounts withdrawn from the RRSP.

Sources : nbc.ca, Canada Revenue Agency and Revenu Québec.



The decision to withdraw from your RRSP depends on your specific situation and a number of financial assumptions. Please consult your investment advisor to learn more about the impact of selling Meritage assets and withdrawing the proceeds outside your RRSP.

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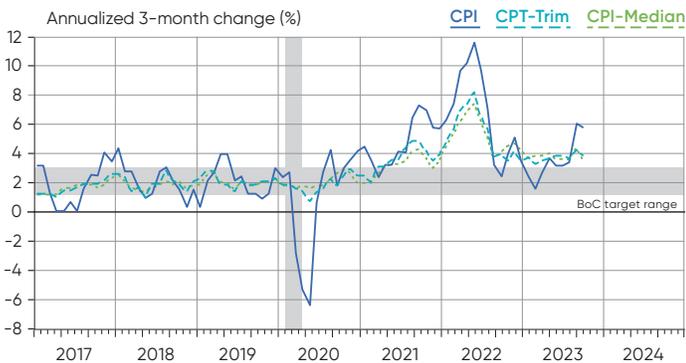
CANADA

The Bank of Canada's (BoC) official core inflation measures remain high. Fundamental inflation responds with a certain delay to the economic context.

- ▶ The economy has cooled rapidly in light of GDP and labour market data in recent months.
- ▶ Household and business survey data do not suggest a recovery but rather a further weakening of the economy.
- ▶ We expect an economic sluggishness in the next 12 months that should translate into growth rates of 1.0% in 2023 and 0.0% in 2024.

CANADA: B.O.C. CORE INFLATION MEASURES REMAIN A CAUSE FOR CONCERN

Annualized 3-month change in CPI, CPI-trim and CPI-median



NBF Economics and Strategy (data via from Statistics Canada)

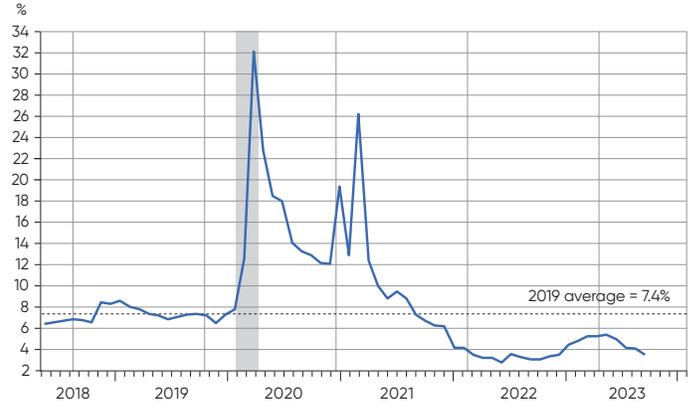
UNITED STATES

October ended on a high note in the United States, with third-quarter GDP data showing the strongest expansion in two years.

- ▶ Our doubts about the sustainability of the current expansion stem from the fact that the rise in household spending was not accompanied by an increase in disposable income but rather a sharp fall in the saving rate.
- ▶ As the impact of past rate hikes continues to impact the economy, we expect the U.S. to contract in the first half of 2024.

U.S.: DROP IN SAVINGS RATE IS COUNTERINTUITIVE IN HIGHER-RATE ENVIRONMENT

Savings as a percentage of disposable income (savings rate)



NBF Economics and Strategy (data via FRED St. Louis)

ELSEWHERE IN THE WORLD

Although no region of the world is totally spared from the marked slowdown in manufacturing activity in recent times, it is European factories that seem to be the hardest hit.

- ▶ Unfortunately, the weakness of the manufacturing sector is not the only factor that explains the poor performance of the European economy at present.
- ▶ By tightening monetary policy, the European Central Bank is helping to slow growth through various channels.
- ▶ Meanwhile, China continues to suffer from the setbacks of several real estate developers.

Source: [The Monthly Economic Monitor](#), National Bank of Canada — Financial markets.

*Information is valid at the time of writing and may not be accurate at the time of publication.



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