



H&R BLOCK

WITHDREW MONEY FROM YOUR RRSP IN 2011? YOU MIGHT HAVE AN UNEXPECTED TAX BILL

With the economy still uncertain, some Canadians have turned to their Registered Retirement Savings Plan (RRSP) as a source of funds. But there could be tax consequences on your 2011 tax return.

- **Lose your tax shelter:** RRSPs are designed to help Canadians save for retirement and provide a tax shelter for the funds. You lose the sheltering benefits when you make a withdrawal.
- **Withholding may not be enough:** When you request a withdrawal from your RRSP, the financial institution is required to withhold a certain percentage of tax based on the amount of the withdrawal:
 - 10 per cent on amounts up to and including \$5,000
 - 20 per cent on amounts over \$5,000 up to and including \$15,000
 - 30 per cent on amounts over \$15,000
 - The amount withheld at source is not usually sufficient to cover your final tax liability.
- **Withdrawal is considered income:** The money withdrawn from an RRSP is considered income in the tax year it was received. You will have to add it to the other income you earned during the year on your tax return.
- **Contribution room lost:** Once you withdraw money from your RRSP, the contribution room is lost. You cannot replace the funds at a later date.
- **Withdrawals without penalties:** The Home Buyers Plan (HBP) and Lifelong Learning Program (LLP) do allow you to withdraw funds from your RRSP without penalty as long as they are paid back within the appropriate time frames. If the funds are not repaid, they will be considered income.

A local H&R Block spokesperson can discuss the tax implications of early RRSP withdrawals