

“CATCH-UP” CONTRIBUTIONS

If an individual hasn't "maxed-out" on RRSP contributions, he or she is entitled to make an additional contribution over and above the normal limit for the year. From 1991 onward, "unused" RRSP contribution limits can be carried forward indefinitely to future years.

Of course, a barrier to this strategy could be finding the means to make a "catch-up" contribution.

Possible sources for a "catch-up" contribution could include:

- Inheritances (or perhaps an "advance" on an inheritance)
 - If an individual receives an advance on an inheritance as a gift rather than a loan, and he or she is married when this occurs, it should be ensured that (where possible) the advance is documented so that the gift, and subsequent income earned on it, are not subject to a spousal claim in the event of marital difficulties.

- Profits from Non-RRSP Investments
 - By contributing the proceeds of the sale of a personally held investment to his or her RRSP, the annuitant could not only shelter the gain itself, but secure additional deductions to shelter other sources of income (e.g., if only 50% of the gain is taxable because capital gains status applies).
 - Another factor to bear in mind is that, the higher the marginal tax rate, the more effective an RRSP "catch-up" contribution will be. Accordingly, a low-income year may not be a good time to make a "catch-up" contribution. If an annuitant's annual income is such that he or she is not "too far into" a particular tax bracket, it may be beneficial to make a series of RRSP contributions which take the individual down to the "bottom of the bracket". (Another alternative could be to make a lump-sum contribution but defer the actual deduction until a year when a higher marginal tax rate applies.)