TAXFILINGS
CANADA

FREE GUIDE TO CONTRIBUTION ROOM

RRSP, TFSA & FHSA: The Room Guide

Three accounts shelter your savings from tax, each with its own running tally of how much you may put in — here is how to find your real numbers.

Canada gives you three tax-sheltered accounts and one rule: room you do not know about is money you leave on the table. Most people can name the accounts. Far fewer can say how much space they actually have in each — and the difference is rarely small.

The whole system in five lines — how room is born, tracked and lost	
1	**RRSP: room is earned.** Working income creates it — about 18 percent of what you earned last year, up to a yearly cap that changes (the current cap is on canada.ca). Contributions cut this year's taxable income; withdrawals get taxed later.
2	**TFSA: room is given.** Every year you have been an adult resident of Canada since 2009 added room, whether you opened an account or not. No deduction going in — but growth and withdrawals are never taxed.
3	**FHSA: room is opened.** The first-home account starts counting only once you open it. Deduction on the way in like an RRSP, tax-free on the way out like a TFSA — when the money buys a first home.
4	**The truth lives in two places.** Your notice of assessment and CRA MyAccount hold your official numbers. Your bank does not know your room — it only knows what you did at that one bank.
5	**Guessing has a price.** Deposit more than your room and a charge of roughly one percent of the excess applies for every month it stays put. The mechanism is stable; the current details live at canada.ca.

Yearly dollar limits are deliberately absent from these pages: they change, and quoting last year's number would eventually mislead you. The mechanisms are stable — pair them with your notice of assessment, canada.ca, and the free room calculators at taxfilings.ca/tools.

01 RRSP room: a percentage of your past

Earned income — salary, self-employment profit and a few other kinds — creates next year's RRSP room at about 18 percent of what you earned, up to a yearly cap that moves (check the current cap at canada.ca). Unused room never expires. It stacks year over year, which is why the figure on a notice of assessment often startles people who have never contributed.

> CONTRIBUTE NOW, DEDUCT LATER
>
> A contribution and its deduction can be separated: the money starts compounding tax-sheltered today, while the deduction waits for a higher-income year where it cancels more tax. First step tonight — find the RRSP deduction limit line on your latest notice of assessment. That line is your truth.

02 TFSA room: the account that grew without you

TFSA room asks for no income at all. It has accumulated for every year you have been an adult resident since the account launched in 2009, even the years you ignored it. Withdrawals are not punished either: whatever you take out is added back to your room. Just not immediately — the space returns on the following January 1.

> THE SAME-YEAR REFILL TRAP
>
> Taking money out in March and topping it back up in November feels like undoing a mistake. If your room was already full, that November deposit is an excess, and the monthly charge begins. Before refilling in the same calendar year, check your space with the TFSA room calculator at taxfilings.ca/tools.

03 FHSA: the clock you have to start

The first home savings account borrows the best feature of each sibling: contributions deduct from income like an RRSP, and a qualifying first-home withdrawal comes out untaxed like a TFSA. Unlike a TFSA, though, its room only begins accruing once the account exists, growing by a set annual amount toward a lifetime ceiling — both figures change, so check canada.ca.

> OPEN IT WHILE IT IS STILL A MAYBE
>
> If a first home is even faintly possible in your future, opening the account now starts the clock and costs nothing. The FHSA room calculator at taxfilings.ca/tools shows what a few years of quiet accrual looks like.

04 Which account first? Match the season of life

Starting out, income still modest

The TFSA usually wins early. A deduction cancels little tax at a low rate, while RRSP room waits patiently for the better-paid version of you. Start the TFSA habit now; bank the RRSP room.

Saving for a first home

The FHSA jumps the queue: deduction today, tax-free cash at the closing table. Fill it first, then let the TFSA hold whatever else you manage to save.

Peak earning years

High income makes RRSP deductions their most valuable: each dollar in cancels tax at your top rate. Fill what you can and let the refund feed the TFSA. The RRSP savings calculator at taxfilings.ca/tools shows the long game.

Retirement on the horizon

RRSP money exits as taxable income; TFSA money exits untouched. The mix between them decides how nimble your retirement taxes will be — sketch your withdrawal order before you need it.

05 Three quiet room traps

The pension adjustment

A workplace pension shrinks the RRSP room you earn each year; the system treats the pension as saving already done for you. Skip the arithmetic and read your notice of assessment — it has done the math.

The bank's TFSA number

Institutions report your TFSA activity to the CRA just once a year, so the figure in CRA MyAccount can trail reality by many months. Keep a one-page tally of your own deposits and withdrawals across every institution — it is the only always-current number.

Room is personal, not household

You cannot spend a spouse's room from your own account. But you may give a spouse money to contribute to their own TFSA — a simple, allowed way for one income to fill two shelters.

06 The one-percent meter

Every excess contribution runs the same meter: roughly one percent of the over-contribution, charged for each month it remains (details current at canada.ca). Months, not days — an excess cleared late in the month still pays for that entire month. The remedy never changes: withdraw the extra promptly, then handle the paperwork.

> SPOT AN EXCESS? MOVE THE SAME WEEK
>
> Withdraw first and investigate second — every month-end you beat is a charge avoided. Then ask the CRA, or a professional, whether relief applies to your case.

07 Seven questions about your three accounts

A YES needs proof, not optimism.

1. I have read the RRSP deduction limit line on my latest notice of assessment.	YES / NO
2. I can state my TFSA room without asking my bank.	YES / NO
3. I keep my own running list of TFSA deposits and withdrawals, all institutions included.	YES / NO
4. I know when a TFSA withdrawal comes back as room — and when it does not.	YES / NO
5. If a first home might be in my future, I have opened an FHSA or checked my eligibility.	YES / NO
6. I know whether a workplace pension is shrinking my new RRSP room.	YES / NO
7. I have compared the three accounts with a calculator rather than a hunch.	YES / NO

6–7 · Green
Your numbers are real numbers. Refresh them whenever a new notice of assessment lands.

3–5 · Yellow
One evening in CRA MyAccount plus one tally sheet closes most of these gaps.

0–2 · Red
You are contributing blind, and the meter does not care about intentions. Find your true room before the next deposit.

08 Your four-week room plan

Week 1
Log in to CRA MyAccount. Write down your RRSP room and the TFSA figure — and note its date, since it lags.

Week 2
Rebuild your own TFSA tally from bank records: every deposit, every withdrawal, every institution.

Week 3
Run the RRSP vs TFSA calculator at taxfilings.ca/tools with your real income. Decide this year's order.

Week 4
Set one automatic monthly transfer to the winning account, plus a yearly reminder to redo this check.

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Editorial policy. Every guide is researched against primary sources — the Income Tax Act, CRA publications and CPA Canada materials — fact-checked by Udit Gupta, and updated when the rules change.

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