Planning for Tomorrow: Practical Perspectives on Retirement Readiness

Ever since tax-deferred retirement strategies took off in the 1970s, the adage "tax deferred is tax preferred" has stuck with investors and advisors alike—and for good reason. Contributing to an RRSP gives you an immediate tax break, lets your money grow without annual tax drag, and defers the tax bill until retirement, when many are in a lower bracket. It's a win: investors have more cash flow today while building for tomorrow. But it's not one-size-fits-all. For some, too much success in tax-deferred saving can lead to higher taxes later or even OAS clawbacks.

In the 1970s and 1980s, defined benefit (DB) pension plans, which guarantee a set retirement income, were standard in Canada's private sector. Starting in the 1980s, employers shifted toward defined contribution (DC) plans and group RRSPs, where the ultimate financial outcome depends on contributions and market returns. Private-sector DB coverage dropped from about 86% in the mid-1990s to 73% by 2006, and around 40% by the 2010s. Today, DB remains strong in the public sector, but most private workers rely on DC plans, personal RRSPs, or TFSAs. The "tax deferred is tax preferred" idea helped motivate saving and risk-taking, especially as markets grew.

Then came the Tax-Free Savings Account (TFSA) in 2009. It's the opposite of deferral: you contribute after-tax dollars, grow everything tax-free, and withdraw anytime without tax. For someone eligible (i.e. 18 or over and a Canadian resident) since 2009 who's never contributed, room as of 2026 tops $109,000, with tax-free growth and inheritance benefits. It's a game-changer for retirement, emergencies, or estate planning. Even so, many clients still ask, "RRSP or TFSA?"

The answer? It depends. Here are simple rules of thumb:

- Choose TFSA first if you're in a low/middle tax bracket now, expect similar or higher taxes in retirement, want flexibility (for home purchase or emergencies, for example), or need to protect income-tested benefits like OAS/GIS; or
- Choose RRSP first if you're in a high bracket now (get that tax deduction), expect to pay lower taxes later, have an employer match, or are focused purely on retirement.

Most Canadian investors use both for diversification. When I sit with clients, we delve into:

- What does your ideal retirement look like – lots of travel, home downsizing, helping adult kids?
- What will this vision of retirement cost?
- What do you already have in place (pension, group RRSP, personal RRSP)?

- Will your investments be enough, or is there a gap for us to close tax-efficiently?
- Have you saved so well that OAS clawback is now a risk?

Beyond maximizing the dollars, retirement planning often considers significant others in people’s lives who are sharing that retirement lifestyle: blended families, for example, might find a spousal trust to be a suitable option to secure a new partner’s comfort while protecting the inheritance of children from prior marriages.

Whatever your vision, start planning now to avoid regrets later. Let’s connect, review your situation, and build a plan that fits you perfectly.

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