Ep.106:
Maximize your Savings with the Right Investment Accounts in 2025

Lawrence Greenberg: Welcome to The Empowered Investor Podcast. My name is Lawrence Greenberg. I'll be your host today, and I'm joined by my co-host, Jackson Matthews. Jackson, how are you?

Jackson Matthews: Hey Lawrence, I'm doing well. Super excited to be back on the show. I think we have a great episode today.

Lawrence Greenberg: Yeah, I think this is a super interesting one. I've been excited to do something like this. It's evergreen and relevant for so many people. Today, we're talking about all the investment accounts available to investors in Canada. We'll walk through the types of accounts, how they work, who they're best suited for, and common errors and misconceptions people often have.

Lawrence Greenberg: This is relevant to a variety of demographics and income levels. We'll explore how to think about these accounts, how to prioritize them, and how to make the best use of them to save and invest better.

Jackson Matthews: Correct.

Lawrence Greenberg: Great, let’s jump right in. The first account on the list is the Tax-Free Savings Account, or TFSA.

Jackson Matthews: The TFSA is where you invest after-tax dollars. Contributions are not tax-deductible, but the investments grow tax-free. This means the money you put in, along with any income or growth, can be withdrawn tax-free. You must be at least 18 years old to contribute. This account was introduced in 2009, and the government has provided the same amount of room each year to invest.

If you were 18 years old in 2009 and have never invested in a TFSA, you would now have $102,000 of contribution room. That’s the maximum amount you could invest today if you’ve never contributed before.

Lawrence Greenberg: That’s really great, Jackson. Every year, the government sets a new contribution limit. Historically, it was $6,000, then $6,500, and occasionally adjusted for inflation. Investors should stay aware of these changes. Over time, the TFSA can become a significant tool for retirement savings. In 20 years, it could hold half a million dollars or more, which is tax-free—a huge advantage for Canadians.

Jackson Matthews: A common misconception is that people treat the TFSA as a regular savings account. While the name includes “savings account,” the real power comes from tax-free growth over time. Many people miss out on the compounding effect by not investing the money in their TFSAs.

That said, it's still useful for short- to medium-term liquidity needs. For example, if you're saving for a large purchase in the next couple of years, you can invest in the right asset mix within the TFSA and withdraw it tax-free when needed.

Lawrence Greenberg: Exactly. It's a dynamic account with flexibility, but the name can be misleading. It's much more than a simple savings account, and Canadians should really leverage its potential.

Jackson Matthews: Let's move on to the next account—the RRSP. Lawrence, can you explain the RRSP?

Lawrence Greenberg: Sure. The RRSP, or Registered Retirement Savings Plan, is one of the oldest registered accounts in Canada. Unlike the TFSA, the contribution room is tied to your income. Specifically, it's calculated as 18% of your previous year's earned income, up to a maximum of $31,560 this year.

Jackson Matthews: So, you either take 18% of your earned income or the annual maximum, whichever is less?

Lawrence Greenberg: Exactly. Earned income includes employment income, self-employment income, and rental income, but not investment income. The RRSP offers three main benefits. First, contributions are tax-deductible, meaning every dollar you contribute reduces your taxable income. Second, you benefit from tax deferral—your investments grow tax-free within the account until withdrawal. Third, you're likely to withdraw the money at a lower tax rate in retirement than when you contributed, which creates a tax advantage.

Jackson Matthews: Got it. Could you also touch on the Home Buyers' Plan?

Lawrence Greenberg: Absolutely. The Home Buyers' Plan allows you to withdraw up to $60,000 per person from your RRSP to purchase your first home. This was recently increased from $35,000. You'll have to repay the amount over a set timeline, effectively treating it as a loan to yourself.

Jackson Matthews: That's helpful. One common misconception about the RRSP is people treat the tax refund they receive as extra spending money, but it's really meant to be reinvested.

Lawrence Greenberg: Exactly. Reinvesting that refund is crucial to maximize the account's power. If you don't, you're not fully benefiting from the tax advantage. The RRSP is generally best for those earning moderate to high incomes—typically $50,000 or more—where the tax deduction becomes more impactful.

Jackson Matthews: Let's move on to the RESP—the Registered Education Savings Plan.

Lawrence Greenberg: The RESP is designed for saving for post-secondary education. Contributions are not tax-deductible, but they attract government grants—20% from the federal government and 10%

from the Quebec government, up to certain limits. These grants can add up to $7,200 federally and $3,600 provincially per beneficiary. The key is to start early and maximize these grants.

Jackson Matthews: Withdrawals are taxed in the child's name, which can often result in little to no tax if planned well, since students typically have low incomes.

Lawrence Greenberg: That's right. We'll cover more details about the RESP in a future episode. For now, just remember to start early and take advantage of the grants.

Jackson Matthews: Moving on, let's discuss the FHSA—the First Home Savings Account.

Lawrence Greenberg: The FHSA, introduced in 2023, combines features of the TFSA and RRSP. Contributions are tax-deductible, and withdrawals are tax-free if used to buy a home. You can contribute up to $8,000 per year, with a lifetime maximum of $40,000.

If you don't end up buying a home, you can roll the FHSA into your RRSP, adding flexibility.

Jackson Matthews: That's a big advantage. If you qualify for the FHSA, it's a no-brainer to open one and start accumulating contribution room.

Lawrence Greenberg: Absolutely. And finally, we covered non-registered accounts, holding company accounts, and IPPs. Each has unique benefits and uses depending on your circumstances.

Jackson Matthews: Great points. To wrap up, it's the start of a new year—a perfect time to review your finances, set goals, and plan your savings strategy.

Lawrence Greenberg: Agreed. And remember, everyone's situation is unique, so if you have questions, reach out to us. Thanks for listening, and have a great year!

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