**Getting your RRSP Tax Refund in Advance**

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There are two primary tax benefits of making an RRSP contribution: the first is the ability to claim a tax deduction for the amount contributed and the second is to allow the funds contributed to grow tax-sheltered whilst inside the plan, accumulating a tidy sum to be used later on for retirement.

What excites most people, however, about making an RRSP contribution is the prospect of getting a nice, big juicy tax refund come tax filing season. But did you know there is an easy way to get that tax refund essentially “in advance”?

I’m consistently amazed that Canadians rush to get their taxes filed “early” so they can get their hands on their tax refund. After all, a tax refund is simply a sign you’ve loaned your hard-earned money to the Canada Revenue Agency for a year or longer and you’re just getting your own money back, interest-free.

If you’re an employee who is subject to tax withholding at source, and you make an RRSP contribution annually, there’s an easy way to get that tax refund throughout the year. Simply complete CRA Form T1213, Request to Reduce Tax Deductions at Source in which you list various deductions that you plan to take when you file your 2014 return, such as your RRSP contribution, support payments, interest on money borrowed for investment or business purposes or childcare expenses.

This form must be mailed to the CRA and, once it’s approved, you will receive back a formal authorization letter which you submit to your employer authorizing it to reduce the amount of tax withheld at source from each remaining paycheque in 2014.

And while we’re on the topic of reducing your tax withheld at source, you may also wish to revisit your Form TD1, Personal Tax Credits Return which is filed with your employer. This form would have been completed when you first started working but you may have forgotten to update it along the way. For example, if you got married or started living common-law recently, you may be able to claim the spouse or common-law partner amount (up to $11,138) provided your spouse or partner’s income will be below $11,138 in 2014.

If you’ve recently had a child who was born in 1997 or later, you can claim ($2,255) for each child that resides with you throughout the year. The return also includes various other amounts such as the disability amount ($7,766) if you are entitled to claim the disability tax credit for 2014.

The TD1, along with its provincial or territorial equivalent, should be submitted to your employer as soon as possible so that your tax deductions at source may be reduced for the balance of 2014.

By using one (or both) of the above two methods, you can effectively get your tax refund paid to you throughout the entire year rather than having to wait until next spring for that refund. But be smart about your newly increased payroll amount. Consider depositing the extra bi-weekly cash into a TFSA, contributing it towards an RESP for your kids’ post-secondary education or using it to make additional payments on your mortgage. Or why not get a head start on next year’s RRSP contribution?