

RRSP & TFSA Overcontributions



Introduction



Saving for future is smart, but sometimes people get excited about contributing and accidentally go over the limits.

This guide explains what happens when you over-contribute to your TFSA or RRSP, how to fix it, and how to avoid penalties in the future.

Let's keep it simple, clear, and stress-free.



What is a Contribution Limit?



Contribution Limits

Each year the CRA sets a maximum amount you can put in your TFSA and RRSP. These limits are meant to keep things fair and ensure the right amount of tax benefits.

Your personal limit depends on your income (for RRSPs) or your accumulated unused contribution room (for TFSAs).



What Is My Limit?

The fastest way to check your limit is on the [CRA My Account](#) website.

This will let you know how much contribution room you have for the year after filing your income tax returns.

Check out our “[Setting Up A CRA My Account](#)” guidebook if you currently do not have a CRA My Account.

Why Limits Matter

When you stay within your limits, your money grows tax free (TFSA) or tax deferred (RRSP).



But if you go over, the CRA sees it as an “excess contribution.”

That extra can trigger monthly penalties.

It's best to spot and fix over-contributions quickly.



RRSP Over Contributions

You can go over your RRSP limit by up to \$2,000 without penalties in your lifetime. This small buffer room helps if you miscalculate.



However you do not get to claim this \$2,000 as a tax deduction on your taxes.

Anything above that \$2,000 is penalized at 1% per month on the excess until it is removed from the RRSP, or new contribution room opens up.



Fixing an RRSP Over Contribution

If you've gone over, don't panic! You have options:



Withdraw

Withdraw the excess using CRA [Form T3012A](#). This helps avoid paying withholding tax at withdrawal.

OR

Withdraw right away and later claim the back the tax paid with [Form T746](#) at tax time.

Keep all receipts - CRA may ask for proof



Wait

Wait until new contribution room opens that would absorb the over-payments made.

Withdrawal is the ideal route as the penalties stop once the excess is removed or new room is created. New room is not created until after filing you tax returns the following year. Withdrawing protects more of your money from getting eaten up in penalties.

TFSA

Over Contributions

For TFSAs there is no cushion like with RRSPs.



As soon as you go over your limit, even by \$1, CRA charges a 1% penalty per month on the highest excess balance.

The penalty continues until you withdraw the extra amount or new contribution room becomes available (January 1st).



Fixing a TFSA Over Contribution

If you've gone over, don't panic! You have options:



Withdraw

Withdraw the extra funds right away.

Your financial institution can help process this quickly.

Keep all receipts - CRA may ask for proof



Wait

Wait until new contribution room opens that would absorb the over-payments made.

Withdrawal is the ideal route as the penalties stop once the excess is removed or new room is created. New room is not created until January 1st of the following year. Withdrawing protects more of your money from getting eaten up in penalties.

How To Avoid Over Contributing



Check Your CRA My Account

Check your contribution limits in your CRA My Account before making new contributions.



Keep a Tracking Sheet

Keep your own tracking spreadsheet or notebook, especially if you contribute at multiple banks or across multiple accounts.



Wait For Your Tax Assessment

If you don't currently have a CRA My Account, wait until your tax return is assessed and you receive a Notice of Assessment to confirm new RRSP contribution room.



Plan TFSA Deposits

Plan your TFSA deposits around the January increase to avoid overlapping deposits that could result in over contribution.



Ask Employer For Records

Ask your employer for RRSP or TFSA contributions records throughout the year, or ask if there is an online portal to monitor company contributions into your group RRSPs or TFSAs.

Common Myths & Misunderstandings

“If I take money out, I can put it right back in.”

Not always! For TFSA's you must wait until January 1 of the following year to re-contribute any withdrawals.

“RRSP withdrawals automatically fix over contributions.”

Not unless you report them properly with the correct forms to the CRA. Simply taking a withdrawal does not fix the over contribution.

“It's not a big deal if I'm just a few dollars over.”

CRA still charges penalties, even for small amounts.



Final Thoughts

Mistakes happen and they're fixable.



The key is to act quickly and stay informed. If you think you've over contributed, contact your advisor or reach out to our team at Hoffman Professional Services.

We'll help you calculate the exact amount, handle the CRA forms, and make sure you get back on track with minimal stress.



Hoffman Professional Services

Check Out Our Other Guides

At the time of publication these other guides may not yet be published. We are launching a series of Guide Books. Feel free to reach out to us to request any Guide Books you would love to see published in the future



Setting Up A CRA My Account



Authorizing a CRA Representative



Business On-Boarding Guide



Starting a Business in Ontario



Bookkeeping Basics & Free Tracking Spreadsheet

Hoffman Professional Services

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