

Women and RRSPs

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Securing their future or reducing their tax liability? For these or other reasons, Canadian women dramatically increased their Registered Retirement Savings Plan (RRSP) participation and contributions during the 1980s. In addition, an increasing number of women benefited from husbands' contributions to their RRSPs.

Rapid growth

The number of women who have accumulated RRSP savings, and the amount they have saved over the years, cannot be determined from the available data. However, from annual personal income tax information we do know how many women contribute, and how much they deposit in any given year. In 1979, only 484,000, or 6% of all women aged 18 to 70, participated in RRSPs. By 1989, however, 1.7 million, or 19% of all women in this age group, contributed. Similarly, women's annual RRSP deposits increased dramatically, from \$700 million in 1979 to nearly \$4.5 billion in 1989.

In the last decade, the rates of growth in both RRSP participation and amounts contributed were much greater for women than for men. In 1979, only 28% of RRSP participants were women; by 1989, however, they represented 41% of all contributors. Similarly, in 1979, just 23% of all contributions were made by women, while ten years later their share had climbed to 33%. [\(1\)](#)

Additional contributions by husbands

Some women were beneficiaries of spousal contributions. Of the 4.1 million taxfilers claiming RRSP contributions for tax-deferral purposes on their tax returns in 1989, 140,000 deposited \$472 million into their spouses' RRSPs. Virtually all of this amount (98%) was contributed by husbands into accounts registered to their wives. However, of the \$4.9 billion credited to women's RRSP accounts in 1989, women contributed 91% themselves, while the balance came from husbands in the form of spousal contributions. Obviously then, the bulk of women's RRSP savings has come from personal rather than spousal contributions, although the latter have been growing rapidly.

Reasons for growth

Why have RRSPs become such an important savings vehicle for Canadian women in recent years? Part of the answer can be traced to the increased participation of women in the paid labour force. The percentage of the female population aged 25 to 54 participating in the labour force increased from 60% in 1979 to 75% in 1989.

With more earning power women were better able to save for retirement, and take advantage of the tax-deferral benefits provided by RRSPs. [\(2\)](#)

Profile of contributors

There is evidence that some female taxfilers are more likely to contribute and to make higher average contributions than others. In 1989, 21% of female taxfilers aged 18 to 70 contributed to an RRSP. Understandably, women with higher incomes were more likely to participate than those with low incomes. While more than half of all female taxfilers whose income exceeded \$40,000 contributed to an RRSP, only 5% of those with an income between \$5,000 and \$10,000 did so. Age also played a role in the rate of RRSP participation. At 32%, female taxfilers aged 45 to 59 had the highest participation rate. In fact, nearly one out of every three female RRSP contributors belonged to that age group. [\(3\)](#)

Husband's income makes a difference

Having a husband with an income sufficient to warrant filing a tax return also seems to affect the incidence of RRSP participation among women. In 1989, 23% of married tax-filing women, 18 to 70 years of age, whose husbands also filed a tax return, participated in RRSPs. In contrast, less than 19% of unmarried women and just 14% of women married to a non-taxfiler contributed to an RRSP.



Chart **Female RRSP contributors and contributions.**

Sources: Revenue Canada-Taxation and Small Area and Administrative Data Division

It appears then that the presence in the family of a husband's income increases the likelihood of a woman's RRSP participation. Average personal income was only slightly higher for women with a tax-filing spouse than for those without one; however, the combined husband-wife income of those with tax-filing husbands was over three times greater. It can be assumed, therefore, that higher family income gives women greater financial opportunity to contribute to RRSPs [\(Table 1\)](#). [\(4\)](#)



Table 1 **Female RRSP contributors, with and without a tax-filing husband, 1989**

Source: Small Area and Administrative Data Division

Spousal contributions

Decisions on whether or not to invest in RRSPs and how much to deposit are often made jointly by husbands and wives. Deciding who will claim the contributions might be based on which partner will receive the greatest tax advantage. In the case of spousal contributions, the person with the higher income (most frequently the husband) may make the contributions and claim the tax-assistance, while the retirement savings benefits are credited to the one with the lower income (usually the wife).

It appears that in recent years a growing number of husbands have elected to make such spousal contributions. Particularly large increases, both in amounts contributed and in the number of contributors, took place in 1989. That year, the amount deposited in spousal RRSPs grew 44%, while total RRSP contributions increased only 4%. To a large extent, this growth can be attributed to a 1989 change in the Income Tax Act that provided new opportunities for spousal deposits unheard of previously. For the first time that year, husbands with pension income were able to transfer up to \$6,000 of pension benefits to their wives' RRSPs. Therefore, those that benefited most from this change in legislation were older women (see [Changing legislation](#)).

Only 12% of women who accumulated RRSP savings in 1989 received all or part of their deposits from their husbands. But again, the impact of the husbands' income can be seen in the average amounts credited to women benefiting from spousal contributions versus those not benefiting. Average contributions by women without spousal contributions amounted to \$2,500 that year, while spousal deposits registered to wives not contributing themselves averaged \$3,200. Moreover, women benefiting from both personal and spousal contributions had an average of \$6,700 credited to their RRSPs in 1989.



Table 2 **Contributors and contributions to spousal RRSPs, 1987 to 1989**

Source: Small Area and Administrative Data Division

Into the 1990s

There is every reason to believe that women's RRSP investments will continue to grow well into the 1990s. In fact, the trend may accelerate. If the wage gap between men and women narrows, aided perhaps by employment equity and pay equity legislation, the opportunities and incentives for women to contribute to RRSPs may increase even more quickly. Furthermore, if women's rate of participation in employer-sponsored pension plans continues to lag behind that of men, they may have greater incentives to contribute to RRSPs. [\(5\)](#)

A number of other factors may play a role in women's RRSP participation rates. In 1991, members of the baby boom generation began breaking into the age group that currently records the highest rates of RRSP participation for women (those aged 45 to 59). Women in this age group often find themselves in a family setting that permits the greatest opportunity for savings. Also, the recent growth in popularity of group RRSPs should generate increased membership of women, while new legislation (Bill C-52, which came into effect on January 1, 1991) will provide new opportunities for tax-assisted retirement savings never before possible. [\(6\)](#)

While the effects of these developments may take some years to be fully realized, a 1990 change to the Income Tax Act may have an immediate impact on the volume of spousal contributions. That amendment placed severe restrictions on the amounts and types of income that taxfilers could transfer to their own RRSPs (personal roll-overs). It did not affect spousal roll-over possibilities, however, and it is not unrealistic to assume that taxfilers will now increase the amounts they transfer into their spouses' RRSPs. As was shown, spousal contributions increased 44% from 1988 to 1989, the first year taxfilers were permitted to roll-over to spousal RRSPs up to \$6,000 of income from certain sources (in addition to the maximum annual contribution limit). These transfers will be disallowed after 1994 (see [Changing legislation](#)).

Conclusion

The entry of women into the Canadian labour market has had a dramatic effect on RRSPs. The rates of growth, both in the number of women who contributed to RRSPs and in the amounts they deposited, have outstripped those of men in the last decade. Although women's RRSP reserves have accumulated mainly through personal contributions, they have also grown through large increases in spousal contributions.

Legislative changes in 1989 and 1991 created new opportunities for both spousal roll-overs and personal contributions, and should have a large impact on women's RRSP accruals in the 1990s. Other developments, such as greater earnings by women, increases in the use of group RRSPs and demographic changes, should also fuel continued growth.

Changing legislation

- A change to the Income Tax Act in 1957 permitted Canadians to defer paying taxes on the portion of their income contributed to personal registered savings plans (RRSPs). An annual maximum contribution was specified in the legislation and this level was increased several times in subsequent years.
- Transferring certain income to an individual's own RRSP, above the annual maximum, was permitted in 1966. The amounts eligible for such "roll-overs" were expanded in later years.
- Since 1974, taxfilers have been able to contribute to their spouses' RRSPs and claim these deposits on their own tax returns. Deposits to a spousal RRSP (plus any contributions made to a personal RRSP) were limited by taxfilers' standard annual contribution limits.
- Since 1989, taxfilers have been permitted to roll-over to spousal RRSPs up to \$6,000 annually in periodic payments from pension and deferred profit sharing plans, in addition, to the maximum annual contribution amount.
- In 1990, severe limitations were placed on the opportunities to roll-over income from various sources into taxfilers' personal RRSPs. These restrictions were not applied to spousal rollovers.
- In 1991, new comprehensive legislation (Bill C-52) standardized the tax treatment of all private retirement programs, including RRSPs.
- Following the 1994 tax year, the \$6,000 annual spousal roll-over opportunity will be terminated.

About the data sources

Data for total RRSP contributors and contributions from 1985 to 1989, and for spousal contributors and contributions from 1987 to 1989, were extracted from the annual T1 family file produced by the Small Area and Administrative Data Division of Statistics Canada. Data prior to these years came from the Revenue Canada taxation statistics sample file.

The T1 family file is an expansion of the 100% personal tax file and imputes records for the non-tax-filing public, particularly spouses and children. Marital status is generated from information reported by taxfilers in the identification section of the T1 tax returns, in concert with what can be deducted from other information on the returns. For purposes of this study, only couples who are legally married are included in the married group. This is because Revenue Canada does not permit spousal contributions to an RRSP registered to a common-law partner, except for certain roll-overs available at death, or

termination of the conjugal relationship (lump sum or periodic payments resulting from a registered pension, retirement savings or profit sharing plan). The unmarried includes persons in common-law relationships, as well as those who are separated, divorced, widowed or never married. The number of husband-wife compositions on the 1988 file, when measured against intercensal estimates, was found to be quite accurate (98% of the estimated number of all legally married husband/wife families in Canada).

The T1 family file provides data on all RRSP contributions, including roll-over amounts (income from eligible sources transferred to RRSPs, and exceeding the standard annual maximum amount). These roll-over amounts were, to some extent, excluded from RRSP contributions on the Revenue Canada taxation statistics sample file as early as 1976. However, it is only in recent years that the deleted amounts have become large (in excess of \$2.2 billion since 1987). The T1 family file is therefore a more comprehensive source of data on RRSP deposits, especially for recent years.

For further information on the T1 family file, contact the Small Area and Administrative Data Division of Statistics Canada at (613)951-9720.

Notes

Note 1

For a description of why and how RRSPs were created and for a detailed review of the growth of RRSPs and the factors contributing to this growth, see [H. Frenken](#) (Winter 1990).

Note 2

Despite the negative impact of the recession of the early 1980s, the average income of families grew 9% in constant dollars from 1979 to 1989, according to the Survey of Consumer Finances - see [Statistics Canada](#) (November 1990). Increased female labour force participation was a major contributor to this growth. For information on changes in women's labour force participation rates and their contribution to family income, see [A. Rashid](#) (Summer 1991). There is evidence that households with higher income, particularly "discretionary income" not required for spending on "necessities", contribute more to RRSPs than average households. See [D.J. Owens](#) (Spring 1991). Finally, for an analysis of changes in income of older women in Canada and the prospects for continued improvements see [D. Galarneau](#) (Autumn 1991).

Note 3

There does not appear to be a correlation between age and income. Using 1987 data, it appears that the rate is highest for high-income women (\$60,000 and over) between the ages of 25 and 64 and for those aged 40 to 64 with income between \$30,000 and \$59,999. A more detailed profile of female RRSP contributors by age group and income level, and differences in the patterns of participation for men and

women are reviewed in [H. Frenken](#) (Winter 1990).

Note 4

See the reference in note 2 to the article by [D.J. Owens](#).

Note 5

Although the percentage of the female labour force participating in these plans has increased since 1980, in 1990 the rate for women was still only 33% compared with 41% for men. See [Statistics Canada](#) (July 1991).

Note 6

There is some indication that a growing number of employers are providing group RRSPs to their employees in lieu of pension plans. Under this arrangement, employees can contribute through payroll deductions, employer contributions are possible (although treated by Revenue Canada as salaried income) and higher investment returns can generally be realized. For further details on group RRSPs, and for an extensive analysis of the prospects for RRSP growth in the 1990s in response to various changes and developments, see [H. Frenken](#) (Winter 1990).

References

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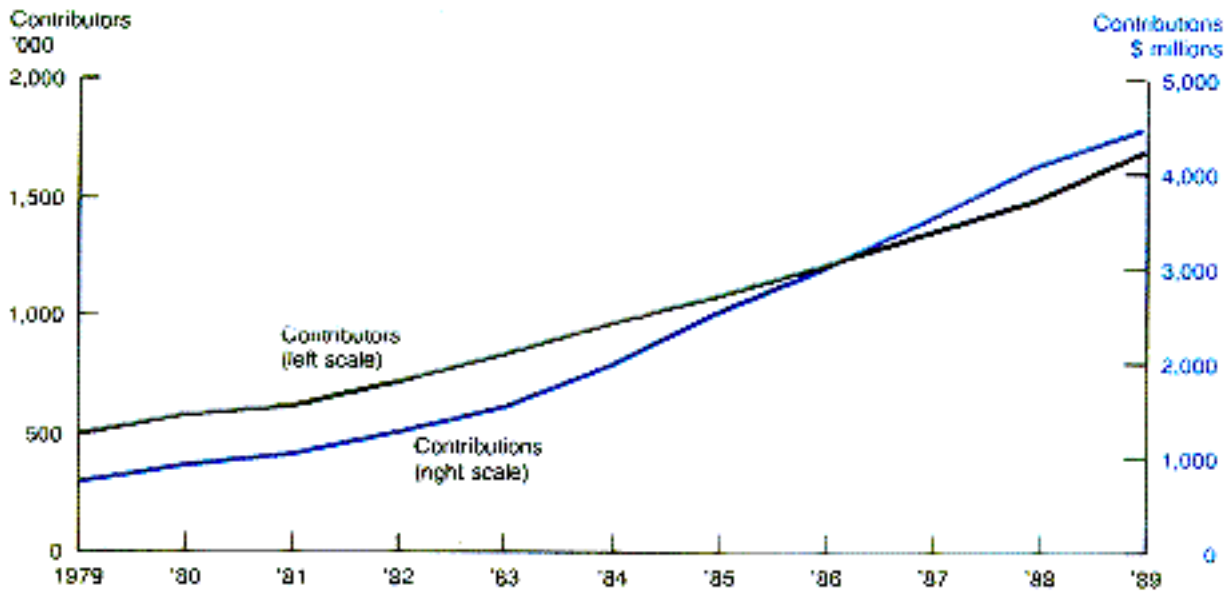
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Perspectives on Labour and Income, Winter 1991, Vol. 3, No. 4 (Statistics Canada, Catalogue 75-001E). This is the first of eight articles in the issue.



Female RRSP contributors and contributions

Both RRSP participation and amounts contributed by women increased dramatically during the 1980s.



Sources: Revenue Canada-Taxation and Small Area and Administrative Data Division

Table 1

Female RRSP contributors, with and without a tax-filing husband, 1989

		With a tax-filing husband	Without a tax-filing husband*
Number of contributors	('000)	1,000	686
Contributors as % of taxfilers		23	18
Average personal income	(\$)	17,107	16,337
Average family income**	(\$)	54,558	16,337

Source: Small Area and Administrative Data Division

** Includes married women without a tax-filing spouse, as well as separated, divorced, widowed and never married women.*

*** Family income is the combined income of husbands and wives (where applicable).*

Table 2

Contributors and contributions to spousal RRSPs, 1987 to 1989

Year	Contributors		Contributions	
	'000	% increase	\$ millions	% increase
1987	86	...	300	...
1988	95	10	328	9
1989	140	47	472	44

Source: Small Area and Administrative Data Division