

# RRSP withdrawals

*Hubert Frenken and Linda Standish*

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In 1991, some 604,000 Canadians under 65 years of age cashed in a total of almost \$3.2 billion of their RRSP savings. The average amount they withdrew was \$5,270: \$5,700 for men and just over \$4,700 for women. Since total 1991 contributions to RRSPs were \$14.6 billion, it would appear that for every \$5 contributed that year, nearly \$1 was withdrawn by persons who were under what is traditionally regarded as the normal retirement age. [\(1\)](#)

The number of individuals under 65 reporting RRSP withdrawals on their 1991 tax returns increased 22% from 1990, and the total amount withdrawn rose by more than 27%. Who were these people making pre-retirement withdrawals from their RRSP savings?

## Both men and women withdrew

In 1991, 44% of those cashing in RRSPs before retirement age were women and 56% men. Their respective shares of total withdrawals were 39% and 61%. The proportions for women seem high when compared with their share of past contributions. Although the rate of growth in the number of women contributing to RRSPs has outstripped that of men by a wide margin in the last decade, their contributions were still only 34% of the total in 1991 ([Frenken and Maser, 1993](#)).

## Ontario leads in withdrawals

The highest 1991 average withdrawal by individuals under 65 was in Ontario (\$5,640) followed by Quebec (\$5,340) ([Table](#)). Ontario also had the largest rate of increase from 1990 to 1991 in both the number of persons making withdrawals (29%) and in the amounts withdrawn (35%) ([Chart](#)). Excluding Ontario, the number of RRSP recipients in all other areas increased by 17%, ranging from 11% in Saskatchewan to 23% in Nova Scotia. The large rise in the number of Ontarians making RRSP withdrawals may be associated with the dramatic drop in employment in the province in 1991. [\(2\)](#)



## Table **RRSPs withdrawals in 1991 by persons under 65**

Source: *Small Area and Administrative Data Division*



## Chart **Ontario had the largest rate of increase in both the number of persons cashing in RRSPs and the total amount withdrawn.**

Source: *Small Area and Administrative Data Division*

## Not just for early retirement

No doubt, some individuals cashing in their RRSPs had retired early from the labour force. In fact, one in four persons under 65 drawing on their RRSP savings in 1991 were between 55 and 64, and they withdrew one-third of the \$3.2 billion. However, a striking 55% were under the age of 45, and they withdrew 42% of the total. In their case, retirement was clearly not a reason for cashing in RRSPs.

A study of the income sources of taxfilers who drew on their RRSP savings in 1991 shows that nearly one in five received neither employment income (from paid work or self-employment) nor Unemployment Insurance (UI) benefits during the year. To have accumulated RRSP holdings, these individuals were likely employed in the recent past, since only persons with earned income - nearly always from employment for those under 65 - were permitted to contribute.

Compared with 16% of men, 24% of women under 65 who withdrew RRSP savings had neither employment nor UI income. The proportions were highest in Quebec, where 22% of men and nearly 33% of women did not report such income on their 1991 tax returns.

Also, for every \$100 in employment and UI income received by RRSP beneficiaries under 65 in 1991, an additional \$25 was withdrawn, on average, from their RRSPs. Women seemed to have a greater dependence on RRSP income than men: \$30 versus \$23, respectively. (3)

## Summary

More and more Canadians with RRSP savings are dipping into these funds before the normal retirement

age. From 1990 to 1991, the number of persons under 65 years of age making these withdrawals increased 22% and the amount they withdrew grew 27%. Ontario, which experienced extensive job losses in 1991, had not only the largest increase in the number of persons making withdrawals, but also the highest average withdrawal. While some individuals may have drawn on their RRSP savings before age 65 because of retirement, more than half of those making withdrawals were under 45 and likely not ready for early retirement.

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## Data source

The data in this note are drawn from the T1 tax file and include all amounts reported as RRSP income by taxfilers under 65 years of age. A small portion of this income was obtained in the form of annuity payments. However, in 1990, 97% of taxfilers under 65 received their RRSP income as cash withdrawals (Frenken, 1992). For further information, contact the Small Area and Administrative Data Division, Statistics Canada, 14th Floor, R.H. Coats Building, Tunney's Pasture, Ottawa, Ontario, K1A 0T6; telephone (613) 951-9720.

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## Notes

### *Note 1*

Monies withdrawn by taxfilers taking advantage of the Home Buyers' Plan are not relevant here. This program came into effect only in March 1992; furthermore, these amounts need not be reported as RRSP income when withdrawn.

### *Note 2*

For information on job losses in Ontario, see [Cross](#) 1993.

### *Note 3*

Under certain circumstances, withdrawals from spousal RRSPs must be reported by the spouse who contributed into these RRSPs. Almost all spousal contributions are made by husbands into their wives' RRSPs, and often withdrawals made by these wives will appear on the husbands' returns. Furthermore, decisions in respect of both contributions and withdrawals may be dependent on family income. However, the data file used in this article provides the income of individual taxfilers only.

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## References

- Cross, P. "The labour market: Year-end review." *Perspectives on Labour and Income*. Supplement. (Statistics Canada, Catalogue 75-001E) 5, no. 1 (Spring 1993).
- Frenken, H. "[RRSPs - not just for retirement.](#)" *Perspectives on Labour and Income* (Statistics Canada, Catalogue 75-001E) 4, no. 4 (Winter 1992): 9-13.
- Frenken, H. and K. Maser. "[RRSPs - new rules, new growth.](#)" *Perspectives on Labour and Income* (Statistics Canada, Catalogue 75-001E) 5, no. 4 (Winter 1993): 33-42.

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## Source

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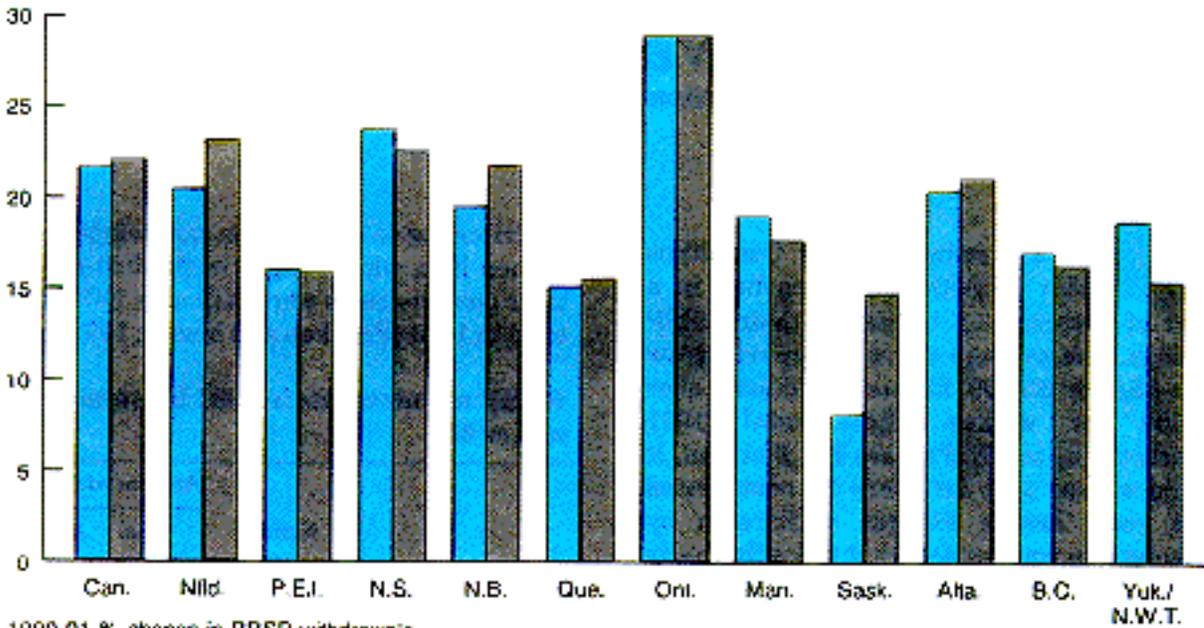
**RRSP withdrawals in 1991 by persons under 65**

	Number of persons	Amount withdrawn	
		Total	Average
		'000	\$ millions
<b>Canada</b>	<b>604</b>	<b>3,182</b>	<b>5,270</b>
Newfoundland	8	35	4,440
Prince Edward Island	2	10	4,550
Nova Scotia	17	79	4,610
New Brunswick	13	59	4,670
Quebec	117	623	5,340
Ontario	249	1,402	5,640
Manitoba	23	105	4,620
Saskatchewan	21	100	4,680
Alberta	64	306	4,750
British Columbia	89	457	5,150
Yukon/NWT	1	6	4,710

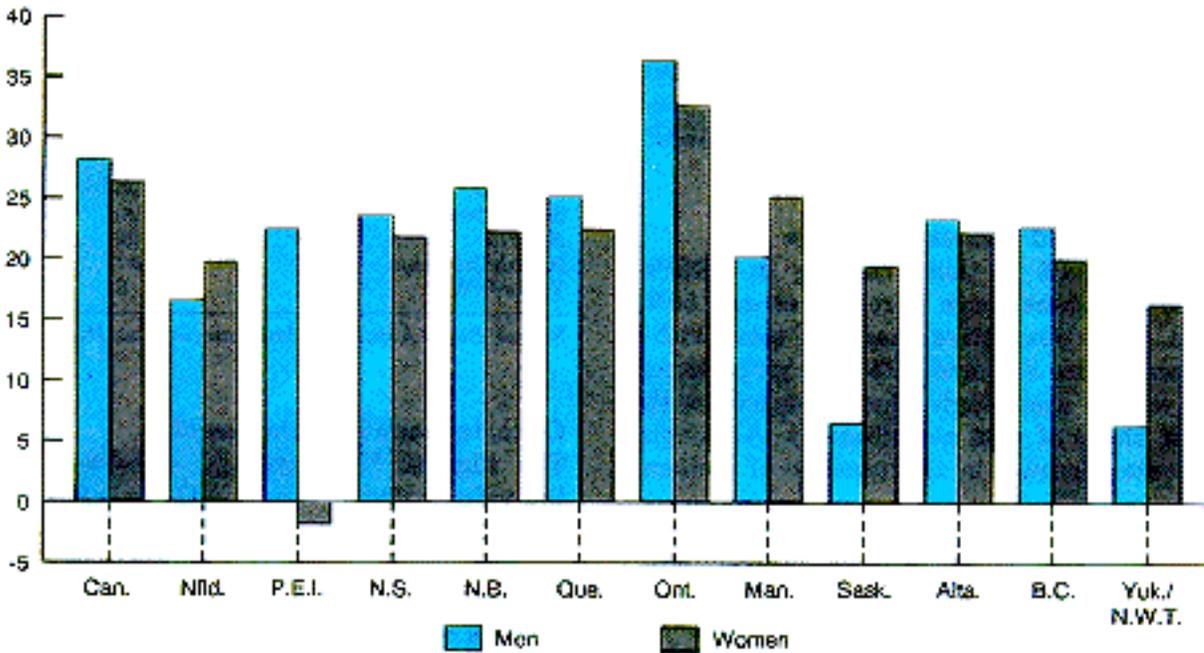
*Source: Small Area and Administrative Data Division*

**Ontario had the largest rate of increase in both the number of persons cashing in RRSPs and the total amount withdrawn.**

1990-91 % change in RRSP recipients



1990-91 % change in RRSP withdrawals



Source: Small Area and Administrative Data Division