



How Retirement Income is Taxed in Canada

Understanding the tax treatment of your RRSPs, TFSAs, CPP, OAS, and more

Prepared by Trans Canada Wealth Management

When you stop working, your income doesn't just disappear; it changes. Instead of a paycheck, your money might come from RRSPs, CPP, TFSAs, or even part-time work.

But here's the catch... not all retirement income is taxed the same way.

Understanding how your different sources of income will be taxed is one of the most important steps in planning a secure and efficient retirement.

Planning where and when your withdrawals will come from and how you time your government pensions can save you tens of thousands of dollars in unnecessary taxes.

This cheat sheet is a great first step. Use it to gain a clear understanding of how each income type is taxed, and to start considering how the various components of your retirement plan fit together.

Investment Income Sources

Investment Source	Tax Treatment	Notes
RRSP Withdrawals	Fully taxable as regular income	Subject to withholding tax & ineligible for pension income splitting if 65+
RRIF Withdrawals	Fully taxable as regular income	Subject to withholding tax & eligible for pension income splitting if 65+
TFSA Withdrawals	Tax-free	Does not affect OAS or tax brackets. Very useful tool to use throughout retirement
Non-Registered Investments	Investment growth is taxable as broken down below	
	<i>Interest</i>	Fully taxable
	<i>Dividends</i>	Qualified Canadian dividends are eligible for the dividend tax credit
	<i>Capital Gains</i>	Only 50% of the gain is taxable. Investment management fees can be tax-deductible. Also opportunities for tax loss harvesting.
Defined Contribution Pensions (LIF, RLIF, PRIF)	Fully taxable as regular income	Eligible for pension income splitting if 55+

Other Income Sources

Income Source	Tax Treatment	Notes
CPP	Fully taxable as regular income	Added to your taxable income at marginal rates
OAS	Fully taxable as regular income	Subject to clawback if your income excess OAS income threshold
Defined Benefit Pension	Fully taxable as regular income	Eligible for pension income splitting if 55+
Annuities	Taxable portion depends on annuity type and what funds are used to purchase	Prescribed annuities offer level taxation
Part-Time Employment	Fully taxable as regular income	Can impact CPP/OAS timing. Coordinate carefully in semi-retirement
Rental Income	Fully taxable as regular income	Potential to minus allowable expenses



Marginal Tax Brackets

The amount of tax you pay on retirement income depends on your total income and the tax brackets in your province.

Canada uses a progressive tax system, which means that as your income increases, the next dollar you earn may be taxed at a higher rate.

Each province and territory has its own tax brackets in addition to federal rates, so your exact tax bill will vary depending on where you live and how much income you report.

To see your current marginal tax rate based on your income and province, you can use this free calculator:

[TaxTips.ca/calculators](https://www.taxtips.ca/calculators)



The OAS Clawback Trap

Once your income exceeds \$93,454 in 2025, you'll begin to lose 15 cents of your OAS for every dollar above that threshold. This is one of the biggest blind spots for retirees and can be avoided with proper withdrawal sequencing.



What's Next

We hope this cheatsheet has helped you gain clarity on how retirement income is taxed in Canada.

Whether you choose to manage things on your own or work with a planner, this is the kind of groundwork that leads to better decisions and greater confidence.

If you'd like support turning your savings into a clear, tax-efficient income plan, the next step is simple: visit our Atlas System page. It's where we show you exactly how we shape your income, investments, taxes, and estate plan to align with your goals so you can move forward with certainty.

[Click here to learn more about The Atlas System](#)

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Trans Canada Wealth Management is a Winnipeg-based financial advisory team with Harbourfront Wealth Management. The team works with pre-retirees and retirees seeking guidance on retirement, investments, and taxes.

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