

# **Estimating the Number of Guaranteed Income Supplement Recipients Who Have Mistakenly Saved in Registered Retirement Savings Plans and Registered Pension Plans**

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## **Abstract**

Richard Shillington (1999, 2003) estimates that one-third of near-seniors have made Registered Retirement Savings Plans (RRSP) contributions in error as their asset holdings are low enough to suggest that they will likely be Guaranteed Income Supplement (GIS) recipients. Hence they are *likely* to make RRSP withdrawals at age 65 or older that will be subject to GIS phaseouts. These can make the realized RRSP rate of return low or even negative. This paper reconsiders the Shillington estimate, noting that for an individual age 64 likely to receive GIS, it would appear under many scenarios that the dominating strategy is to cash out the RRSP immediately. Taxfiler data from the Longitudinal Administrative Database is used to examine RRSP withdrawals that *actually* are subject to GIS phaseouts. The available data, while imperfect, suggest that in part because there are significant RRSP withdrawals during the ages 60 to 64, the Shillington estimate is too high by perhaps a factor of two. However, this is still a large number of seniors. Registered Pension Plan contributions could also arguably be considered as subject to this issue, although relatively few Defined Benefit RPPs allow for cashout at age 64. Some policy implications are considered.

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