LIFE LETTER

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Strategies to Enhance Your RRSPs

Since their introduction in 1957 as an incentive to save for retirement, Registered Retirement Savings Plans (RRSPs) have evolved into the most popular savings vehicles in Canada. All too often, though, RRSP decisions are made in a panic to meet a deadline, with little or no planning or understanding of the effects of our actions.

Here are a few top strategies to help you get the most from your RRSP and retirement plans:

Make systematic RRSP deposits – Most of us plan and budget on a monthly basis. You can do the same with monthly pre-authorized deposits to an RRSP. It is also possible to get an instant tax break by contributing this way. With approval from CCRA (Canada Customs and Revenue Agency, formerly Revenue Canada), your RRSP deposits can be subtracted from income before deductions are calculated. This reduces the amount that needs to be sent to Ottawa each pay period but also reduces any tax refund that may be coming to you.

Use RRSPs to save for or make a home down payment – Income Tax legislation allows qualified home buyers to withdraw up to $20,000 per person of existing RRSP funds for the purchase of a home. Income tax will not be withheld on this withdrawal. Payments are required to be repaid to an RRSP over a 15-year period. If a repayment is missed in any year, it will be considered a taxable RRSP withdrawal.

Borrow to make your RRSP deposit – You may want to consider borrowing to maximize your RRSP deposit if you don't have the cash or have waited until the deadline. Although RRSP-loan interest is no longer tax-deductible, the immediate tax savings and long-term tax-deferred growth usually more than makes up for any loan interest costs.

Re-invest your tax refund – A few weeks after filing your tax return, a refund cheque arrives in the mail. It's only natural to want to spend it. A 30-year old depositing $5,000 per year to their RRSP at 8% compounded annually will have about $861,584 at age 65. Assuming a 40% tax savings, the RRSP will grow by an additional $330,680 by depositing the tax savings as well. So don't blow your tax refund.

CCRA makes it easy for us to maximize contributions. After we have filed our tax returns, they tell us what our RRSP deposit limit is for the next tax year. This amount appears on your most recent tax assessment.

While the mechanics of RRSPs are relatively simple, the ongoing retirement financial planning associated with them can be more complex. It is highly recommended that you work with someone experienced in the area of RRSPs and retirement planning to help set up and monitor your program. Your financial comfort in retirement may just depend on it.

Want help with your retirement financial plans? Call today:

Wm. J. (Bill) Clarke, BA, CFP
Insurance & Financial Advisor
14924-136 Street, Edmonton, AB T6V 1M3
475-7941 clarkefinancial@telus.net

Inside this Newsletter

1 Happy 2007

1 New product

2 Life Letter Issue

New Year

Here we are in 2007...already!! I am sure that most of us wonder where the time goes but as our lives get busier I am confident that a strong plan or roadmap will help. I am re-dedicating myself to providing better plans and discussions around both accumulation of wealth and retirement issues. I have been reading a couple of industry related books over the holiday and the number one fear of investors is their worry about outliving their assets.

Having a plan and monitoring it over the course of your accumulation time will help alleviate the fear of living too long.

I want to re-introduce "Long Term Care" insurance as a way to alleviate the unknown costs of health care for your future. As any of you who have elderly parents/grand parents may already realize, the costs and time commitments to aiding in your loved ones care, is a cost many may never recover from. This product also works to help provide home care or facility care for the loved one. We want to look at Long Term Care insurance as pre-paying those costs, and although the amount will likely never be correct, it will definitely assist in the well being of all concerned.

New Product

Manulife's Income Plus

As new products enter the market it is my responsibility to investigate and learn about it before it becomes a recommendation. Manulife Financial has come out with a new investment product to the Canadian marketplace called Income Plus.

"Income Plus" can provide clients with:

- Predictable income guaranteed not to decrease no matter how investments perform
- Sustainable income to last at least until the principal is completely repaid
- Potentially increasing income with guarantee bonuses and the opportunity to lock-in market gains
- Tax efficient non-registered investing
- All the other benefits segregated funds have over other investment vehicles

I have looked over Income Plus and really like what it can do. Should you like further information please call.

Thank you for letting me be your advisor and thank you for all the client referrals I have received to increase my business. My business continues to grow because of hard work and great clients.

Bill

RRSP Deadline is February 28th, 2007