

This Issue of Financial Affairs has been created to provide a brief overview of an important investment topic. For more detailed information or for a free copy of a Financial Affairs Issue that may be of greater interest to you, please contact your Financial Advisor.

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**RRSPs: PLANNING  
FOR YOUR FUTURE**

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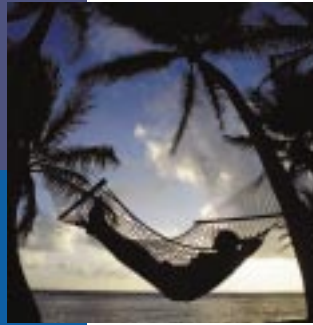
*Working Together For Your Future*

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Staying The  
Course For  
A Successful  
Retirement



## Staying The Course For A Successful Retirement



Counting on a comfortable retirement? It's far from automatic.

Financial security is the result of patient and careful planning – gradually building the savings that will see you through your post-employment years. Putting money aside for the future isn't always easy. But it's necessary. More importantly, the rewards for doing it can be nothing short of spectacular, especially when investing your assets through a Registered Retirement Savings Plan (RRSP). When your goals are to provide for retirement and to minimize tax, there's simply no better choice.

## THE RRSP BASICS

RRSPs were first introduced in 1957 as a vehicle to help Canadians defer tax and save for retirement.

Since then, Revenue Canada has continued to increase the amount you can contribute to your RRSP up to age 69.

RRSP-eligible investments are many and varied. They all have different levels of risk and return, and include a wide range of investments such as mutual funds, stocks, bonds and GICs.

It's essential to make sure you give yourself the maximum contribution each year so you receive the greatest tax benefits.

## TWO BASIC RRSP RULES

### 1 CARRY FORWARD UNUSED CONTRIBUTIONS

If you cannot afford to make your full contribution in any one year, you may utilize your option to carry your unused deductions forward. In fact, your unused deductions can be carried forward indefinitely to be used in future years. To check your yearly allowable contribution, consult your Notice of Assessment, or call Revenue Canada.

### 2 WATCH FOR OVER CONTRIBUTION

You're allowed a lifetime over contribution of \$2,000. This little security blanket protects you in the event of an over contribution error. But, exceed the limit and you will incur a tax penalty.

## THE POWER OF TAX SAVINGS.

Here's graphic proof of the value of an RRSP.

Suppose:

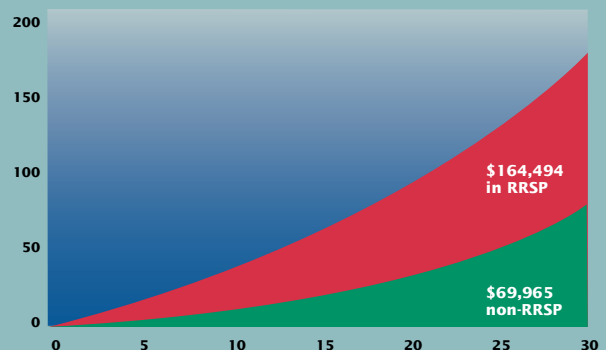
1. **YOU HAVE \$1,000 (PRE TAX) PER YEAR TO INVEST**
2. **YOUR TAX RATE IS 47%**
3. **YOU CAN INVEST IN AN INTEREST BEARING INVESTMENT AT A 10% RATE OF RETURN**

**A** If you invest your \$1,000 within an RRSP, it will grow to \$164,494 over 30 years.

**B** If you invest outside an RRSP, it will be subject to tax and you will have only \$530 per year to invest. In addition, any gains will also be taxed. As a result, your investment dollars will grow to just \$69,965 over the same time period.

Remember, it's never too late to start saving for retirement.

**The Advantage of Investing in an RRSP**  
(in thousands of Dollars)



## SPOUSAL RRSPs OFFER EXTRA ADVANTAGES

Here's an additional benefit for couples saving for their retirement. Where one spouse anticipates a significantly higher retirement income than the

other, a Spousal RRSP can reduce income tax by splitting income.

For example, after retirement, you will pay much lower combined tax if you and your spouse are each withdrawing \$30,000 from two RRSPs rather than you

alone withdrawing \$60,000.

## FOLLOW A SYSTEMATIC GAME PLAN

Investing in your RRSP should be systematic – not something you think about once a year.

If you contribute a monthly amount to your RRSP, rather than a single year-end lump sum, each monthly contribution will compound all year long. This method results in significantly greater growth in the long run. Investing smaller amounts on a regular basis will also help you take advantage of *dollar cost averaging*.

Over time, the combined impact of dollar cost averaging and compounding can significantly increase the value of your RRSP.

## FOR MORE INFORMATION

Please talk to your Financial Advisor about the painless way to make sure your retirement is everything you hope it will be. When it comes to financial security, RRSPs are the foundation for your future.

