1991

MONEY SUPPLEMENT

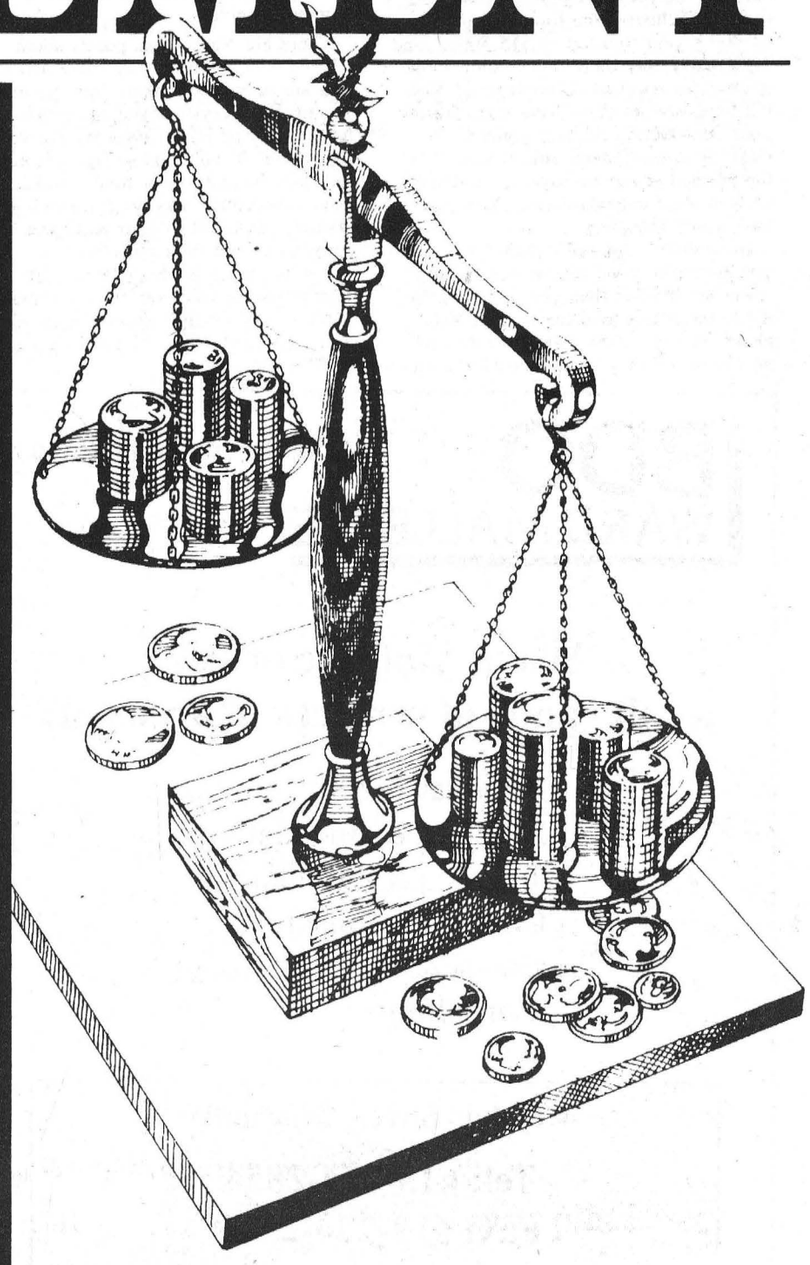
YOUR FINANCIAL PLANNING GUIDE

INCOME TAX

INVESTMENTS

RRSP'S

...and much much more!



SPECIAL SECTION TO

WINCHESTER PRESS

Wednesday, February 13, 1991

RRSPs generate tax savings

Registered retirement savings plans (RRSPs) aren't quite what they were, but they're still the best tax break around — virtually the only one most of us have.

You're going to miss a good bet if you don't start your own RRSP at as young an age as possible and then maintain it through to retirement — because it can make all the difference between tough times and relative comfort.

Then, when you've started, wise management of your RRSP will pay off handsomely, whether you choose a self-administered plan or participate in one or more of the wide variety of plans offered by virtually every financial institution.

These are the highlights of the current RRSP rules and regulations:

—1990 tax year contributions (those you apply to your 1990 tax return to be completed by April 30) are up to 20 per cent of earned income to a maximum of $7,500 if you are not a member of a company retirement or profit-sharing plan. Or if you are a member, your maximum contribution is 20 per cent of earned income to a maximum of $3,500 minus any contributions you made to the company's plan.

—For the 1991 taxation year — effective now — new rules apply so contribution limits will combine your contributions and your employer's, if any, to the lesser of $11,500 or 18 per cent of earned income in the previous year. The in 1992 to 1995 inclusive, the limit will go up $1,000 a year to a top of $15,500 — and presumably stay there unless something unexpected happens. Complicated? Yes, but happily you won't have to figure out your contribution ceilings yourself. At least, Revenue Canada said it would do the job and advise taxpayers individually early in each calendar year. (You may have yours already.)

How about "spousal" plans? Yes, if you anticipate your spouse will be in a lower tax bracket than you at retirement, it can mean less total tax to have two plans. The so-called "spousal rollover" provisions allow you to contribute up to $6,000 of your contributions to a plan in your spouse's name each year for 1989 to 1994 inclusive.

Contribute early! The rule is: "Contribute the earlier the better" because you earn more tax-deferred interest that way. Of course, many people regularly delay making their contributions up to the last minute at the end of February every year. But it makes more sense to contribute earlier, so ideally you'd be thinking about your 1991 contributions right now and stashing them away on March 1, or as soon as possible afterwards. You may want to consider a loan to do so and many financial institutions offer favorable rates for this purpose.

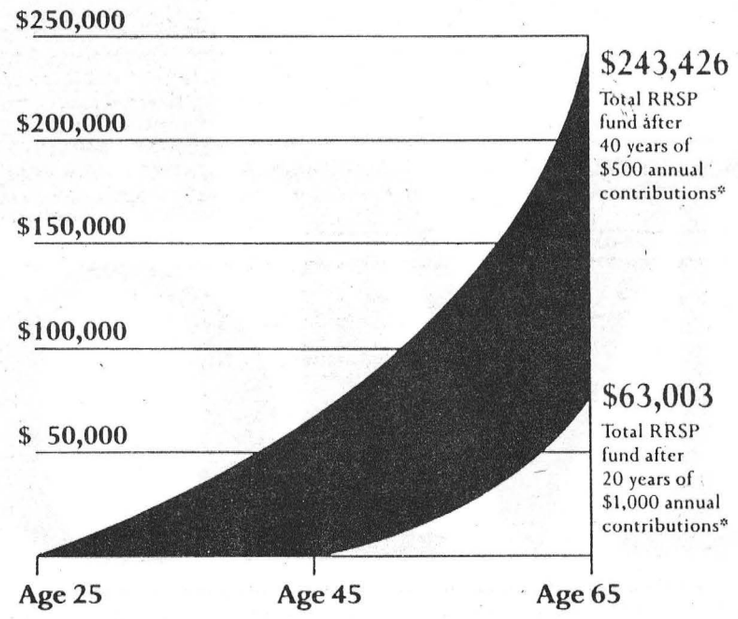
Carry forward? Yes, you can carry forward unused contributions for up to seven years.

What's "earned income" by the way? Definitions have changed, or are about to do so. It's bad news for many people, but none of the following are now eligible: pension benefits, including Old Age Security, Canada Pension Plan and Quebec Pension Plan payments, retiring allowances, death benefits, payments from RRSPs, RRIFs and DPSPs and income earned while not a resident in Canada.

Marriage breakup? Subject to certain "grandfather" provisions, transfers of RRSP income to spousal RRSP or RRIF on the breakup of a marriage are no longer permitted.

There are many other points about RRSPs which may be important and if you are only now looking into the matter, practically every financial institution will have plenty of information to give you. Of course, it will want to sign you up on the spot. But take your time. Look around and make sure you're making the choice best suited to your particular circumstances and your objectives.

The big thing is: don't let it drift! You're paying more tax than you must today — and costing yourself a lot more down the road — if you don't start your RRSP right now.



In this example, $20,000 was invested in two RRSPs at 10 per cent, compounded annually. One was built with $1,000 a year for 20 years, the other with only $500 a year, but for 40 years. In both cases, the total contributed is the same. But the plan started earlier grew four times as much as the late starter. It pays to start your RRSP now, no matter how small your contribution.

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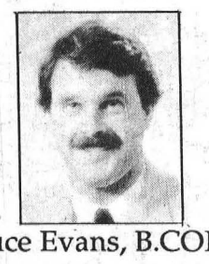
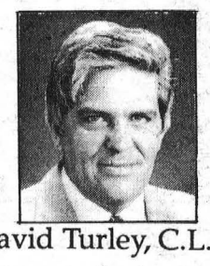

Bruce Evans, B.COMM.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Consolidate your RRSPs

Managing RRSP assets isn't always easy — especially if your money is spread among several accounts.

If you have a number of plans, either at one financial institution or several of them, now may be the time to consider consolidating them into one place.

Multiple RRSPs used to be popular for two reasons. First, tax rules required you to collapse your whole plan if you wanted to make a withdrawal. Having several plans made this easier. But the rules have changed — now you can make partial withdrawals at any time, although you can still get hit with income tax — so be careful.

Second, having RRSPs at different institutions enables you to maximize deposit insurance coverage. However, several banks and trust companies are now set up as more than one company, each being a member of the Canada Deposit Insurance Corporation. Therefore, you can effectively double the $60,000 deposit coverage ceiling on most RRSP investments.

There are several advantages to holding your RRSP assets in one place:

—**Convenience:** You won't have to deal with several different financial institutions when you want to make deposits or arrange withdrawals.

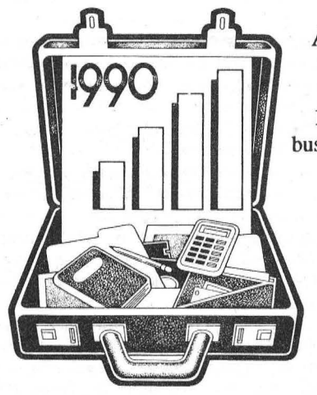
—**Efficient management:** If you are using an asset mix strategy you can determine your current holdings and move money around more easily in a single account.

—**Higher returns:** Many financial institutions offer higher rates for large accounts. If the total value of assets in all your plans is substantial, find out if you're getting as much as you could by rearranging your deposits.

—**Costs:** You can reduce your costs significantly by paying any RRSP administration fees to only one institution. This is especially true if you have a number of self-directed plans. Annual fees for these normally range from $100 to $200. By consolidating all of your plans, you may save several hundred dollars a year.

the co-operators

for RRSPs



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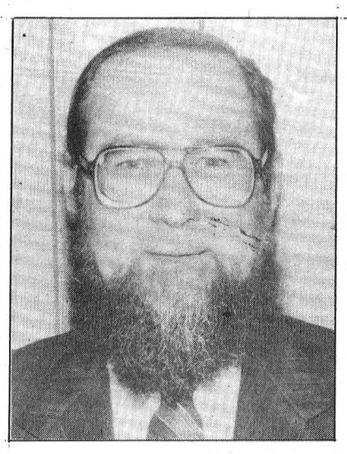

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Handling money early

by Jim Campbell, C.A.

Learning how to handle money is an important part of any child's education. But despite its importance all through life it's often a neglected part of the education process.

Teaching your children about money should start at an early age, preferably with setting the amounts of their allowances. Sit down together and determine how much is appropriate. Ask your child to outline how much money he or she needs each week and what they'd spend it on. Then, bearing in mind this isn't a wish list but an attempt to come to an objective, realistic figure, make the decision.

As a general guideline, here are appropriate weekly allowance levels depending on what you can afford and regardless of peer pressure: Up to age 7, a quarter to a dollar; age 8 and 9, $1 to $3; age 10 to 13, $2 to $7. You should give out the cash each week at the same time and don't tie it to household chores. Chores are something children should do as part of the family unit. On the other hand, allowance recognizes kids need cash to spend on personal pleasures and as a tool to learn proper money management.

It's important to discuss the need to put some of the allowance away as savings for some purchase or even in the future. And it's equally important not to be too strict as they make their spending decisions — let them learn from their mistakes. But do let them know you expect them to benefit from the experience.

You'll find quite a few financial institutions have programs to help you show the way to financial responsibility. Many have special young people's accounts that offer good interest rates and reduced limits for buying investment vehicles such as GICs.

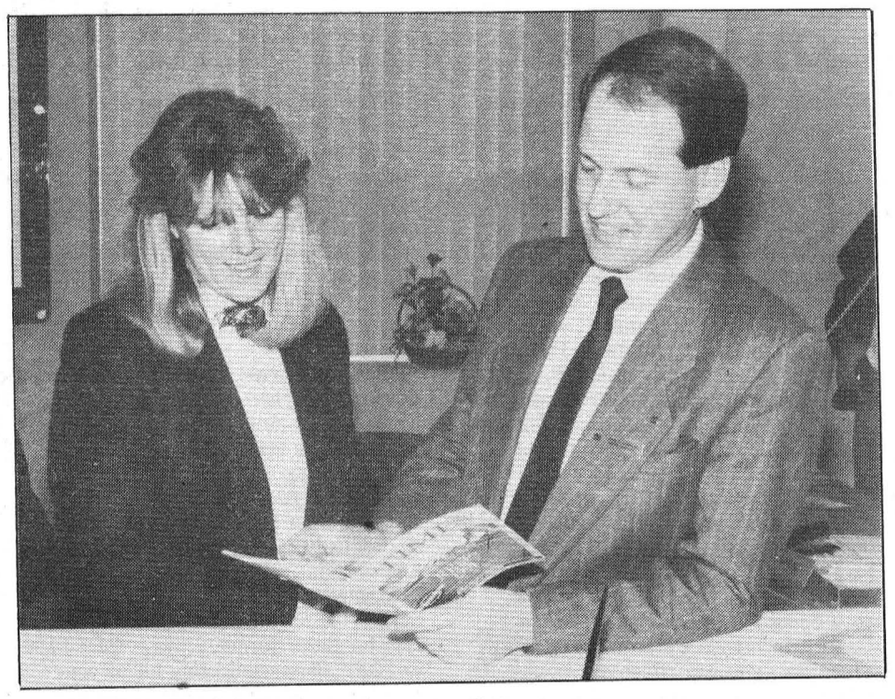
In addition, these accounts provide basic information and financial definitions such as why you should have a savings accounts, what interest is, why you need a passbook, what a cheque is, and so on, all important elements in your child's financial education.

When the youngsters get older — say high-school age — you should selectively involve them in your financial affairs. Take them to meet your lawyer, accountant, banker or stockbroker to learn about the business of each of these professionals and the kinds of help and advice they can provide.

At this age too, it's wise to watch out for the enjoy-now, pay-later syndrome when thoughts of paying for something are put aside for immediate enjoyment. Don't encourage advances!

It's human nature to want the best for our children but they have to be taught to enjoy their money fully. They have to develop an understanding of the value of a dollar and the relationship between work and money. Those are lessons that will stand them in good stead throughout their lives.

Jim Campbell is with National Trust.



RRSP deadline approaching

The clock's ticking down towards the March 1 deadline for buying a Registered Retirement Savings Plan that will apply to your 1990 income taxes, advises Winchester Bank of Montreal manager John C. Campeau. The manager, newly-arrived at the local branch, is pictured here discussing RRSPs with Connie Kirkwood, personal loans manager.

Press photo—McLeister

Tax rules favor self-employed

by Anne Starret, C.A.

It sounds as if it couldn't be simpler: any expenses incurred in the year for the purpose of earning self-employed income are tax deductions, unless specifically stated otherwise.

But pulling teeth is often easier than prying a deduction loose from Revenue Canada. However, recent changes in the tax rules could work well to the advantage of the self employed.

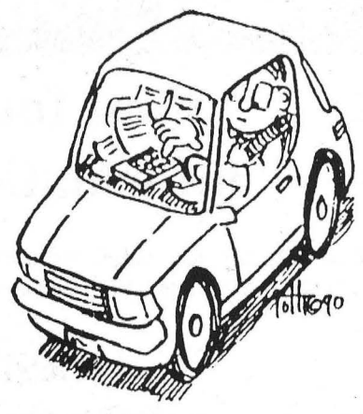
One positive change is the easing of restrictions on automobile expenses previously imposed on us. Now the ceiling price for a car on which capital cost allowance can be claimed has increased from $20,000 to $24,000. A small mercy. At the same time allowable leasing costs have been increased from $600 to $650 a month and the allowable interest deduction raised from $250 to $300 a month. Again very welcome.

And for the person who's expensing mileage rather than claiming other expenses, there's some welcome news. The allowable per-kilometre expenses has been increased to 31 cents for the first 5,000 km and 25 cents thereafter — up from 27 and 21 cents respectively.

Unchanged is the fact that the person claiming car expenses must still be able to prove the business-use portion of the expense to the satisfaction of Revenue Canada. So keep that log.

In cases where a self-employed person runs a business strictly from home, then the office and related expenses can still be claimed in the appropriate proportion. However, if the individual has an office in the home as well as at the place of business, the home office is no longer deductible.

As far as commissioned sales-people go, business expenses can be claimed only against commission income, nothing else.



Where depreciable assets, such as building or equipment, have been acquired, the capital cost allowance can only be claimed from the date it was first used to generate income. If it was not put into use, then no CCA can be claimed for the first two years.

This could come as a blow to the person who buys a building to rent out — and then can't find tenants for two years.

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Know your 'net worth'

If you're ever going to take financial planning seriously, it's necessary to know your "net worth" — how much everything you own is worth, minus all debts or liabilities. It's something of a chore first time around, but then it's easily updated each year. Often the result is a pleasant surprise because many people don't realize just how much they own.

First, list your assets — that's eveything, including all your possessions, from cash savings, RRSPs, the cash value of your life insurance policies, stocks, bonds, house and car, right down to household and personal possessions with market value. Use the estimated selling value for all items, not how much you paid for them or how much it would cost to replace them.

Your assets include your share of family-owned assets, such as your home, and the value of assets in your business, if you own one, or your share if you're a partner.

Second, list everything you owe. If you had to pay all your debts today, how much would you need?

Again, this includes all personal debts or your share of them, such as the house mortgage, outstanding loans or credit-card balances, and debts to friends or family, etc. If you own a business or a share in one, include your share of its liabilities as well.

Then make the big calculation: assets minus liabilities. As we said, many people are pleased with the result. Clearly, in one way the net worth figure is fictitious because you're unlikely to have to sell eveything you own and pay off all your debts.

But the net worth figure is essential to see clearly where you stand and to decide if any changes are needed.

Maybe for the first time ever, you'll be able to make objective and informed decisions on how you use your income.

Furthermore, knowing what's left over after deducting current liabilities will give you a strong incentive to save, as opposed to frittering away any spare funds uselessly.

Knowing your net worth is also the essential component in all serious longer-term financial planning. Without it, you can't make valid investment judgments. It's also essential if you plan any substantial borrowing as well as for estate planning.

If you don't have your net worth number in place, start work on it soon. You won't regret it!

The Tax Load By Provinces

(tax year 1987)
($ million - rounded)

Province	Number of returns	Total income	Taxable income	Income Taxes Federal	Provincial	Total
Newfoundland	343,390	5,173	2,823	531	312	843
P.E.I.	78,470	1,258	713	127	71	198
Nova Scotia	559,710	10,107	6,088	1,178	653	1,831
New Brunswick	463,760	7,500	4,378	819	465	1,284
Quebec	4,320,500	81,886	49,663	9,638	3	9,642
Ontario	6,407,920	147,232	94,577	19,689	9,618	29,307
Manitoba	746,340	13,127	7,580	1,443	863	2,306
Saskatchewan	620,300	11,430	6,660	1,251	722	1,973
Alberta	1,521,260	32,566	20,597	4,174	2,056	6,230
B.C.	1,935,810	41,339	25,594	5,189	2,603	7,791
N.W.T.	28,050	679	417	87	36	123
Yukon	16,670	380	215	42	18	60
Non-residents	29,180	585	396	119	3	121
Canada	17,071,350	353,261	219,701	44,286	17,422	61,708

(Columns may not add due to rounding) (Source: Revenue Canada)

Well over 17 million Canadians pay income tax — to be precise, 17,071,350 men and women across the country and from abroad in 1987, the latest year for which numbers are available.

Between them, they reported income of $353,260 billion, of which $219,700 billion was taxable.

Taxes payable totalled $61,708 billion of which $44,285 billion was for Ottawa and $17,422 billion for the provinces.

The table above shows a breakdown of these numbers by places of residences. Some numbers are rounded.

Fortune lists Canadians

Two Canadian families were among the top ten in *Fortune* magazine's 1990 listing of the world's richest families and individuals, estimated in U.S. dollars.

They are the sixth-richest Reichmann family, with extensive real-estate holdings valued at $11.5 billion, and the Thomson family, 10th richest, whose worldwide holdings, including the Globe and Mail newspaper, were estimated at $6.2 billion.

Fortune's listing of the world's known U.S.-dollar billionaires grew by 25 to 182 individuals and families from 1989. They controlled a combined empire worth an estimated $471.3 billion. The magazine said the average billionaire's wealth rose only marginally from last year after adjusting for inflation.

Sultan Haji Hassanie Bolkia of oil-rich Brunei headed the list for the fourth year with $25 billion; Saudi Arabia's King Fahd and his clan were second with $18 billion; the reclusive Mars family, owners of Mars candy and Uncle Ben's Rice, were third at $12.5 billion; HM Queen Elizabeth, world's richest woman, was fourth with a personal fortune of $11.7 billion; and the American Newhouse family, with extensive media holdings, were fifth with $11.5 billion.

Tied for seventh place among the world's best-heeled, right after the Reichmannns, were Yoshiaki Tsutsumi, Japan's richest industrialist and Arkansas retail mogul Sam Walton, both at $7.3 billion.

The rounding out of the top ten spots were: John W. Kluge, American owner of Metro-media Inc., eighth, with an even $7 billion; the Tsai Wanlin family of Taiwan, seventh, $6.5 billion; and Canada's Thomsons.

Fortune said the U.S. remained home for the greatest number of billionaires — 58. Others included 20 from the Persian Gulf, 15 from West Germany, nine from Italy and eight from Japan.

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Credit card losses can be costly

Losing your credit cards, having them stolen or using them carelessly can be an expensive and aggravating business, but you can minimize the risk — and any loss — by following a few simple suggestions from Consumer and Corporate Affairs Canada.

Keep a listing of cards handy with card numbers, expiry dates and issuer's telephone numbers so you can act quickly if you lose them and the issuer can move equally quickly to prevent misuse. If you find them again after reporting them lost, tell the issuer — fast, before they're cancelled. Replacing lost cards takes time.

Use caution when you give card numbers on the telphone. If you didn't place the call, make sure you're dealing with a known, reputable company. Certainly don't volunteer a card number to a caller who says you've won a trip or prize or are eligible for a gift. This could result in unauthorized charges to your account.

When using the telephone in a public place, be sure you can't be overheard as you give out a card number.

Deal only with reputable companies for mail order transactions.

Remember, more cards are stolen from the workplace than anywhere else. Don't leave them unattended.

Don't leave cards in a car either, nor a locker at a public place, even if it can be locked.

Don't lend your cards — to anyone.

At home, keep them out of sight of deliverymen, babysitters, guests and neighbors.

Sign new cards as soon as you receive them.

When using a card, keep it in view, whenever possible, after you give it to a clerk and examine each sales draft before signing to be sure the total is correct, including tips and taxes, so additional charges can't be added later.

Avoid signing blank sales drafts and ensure incorrect or spoiled drafts are destroyed as you watch. Don't take offence if the clerk checks your signature against that on the card; it's for your benefit, as well as the store's.

After every sale, take and destroy carbons from the completed sales slip to prevent fraud with information obtained from the carbon.

After use, make sure you get the card back quickly. And that it really is yours — not somebody else's by mistake, or on purpose. Keep all sales receipts and check them against your monthly statement, reporting all discrepancies to the issuer right away.

Finally, when travelling, check your wallet before you leave home to make sure you take only the cards you plan to use. On the road, don't leave cards in your hotel room — either take them with you or put them in the hotel safe.

Don't flash cards around to attract criminals and beware of pickpockets in busy, crowded public places such as transit systems.

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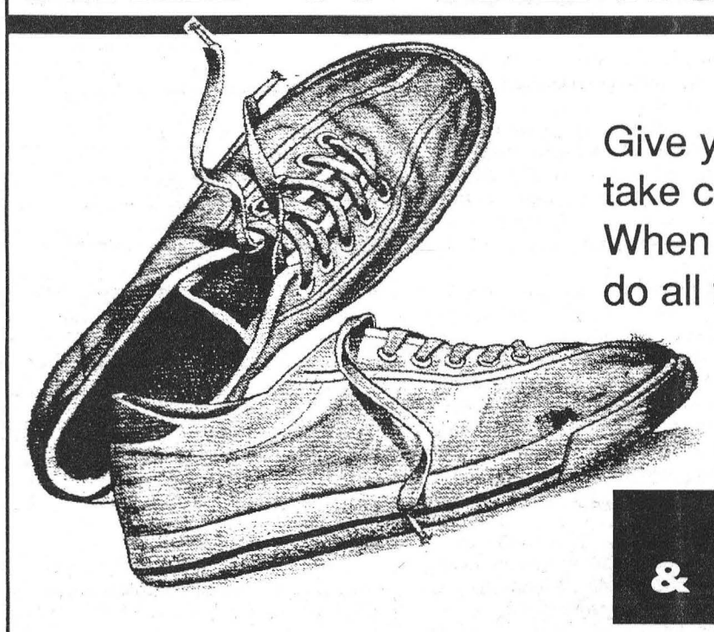

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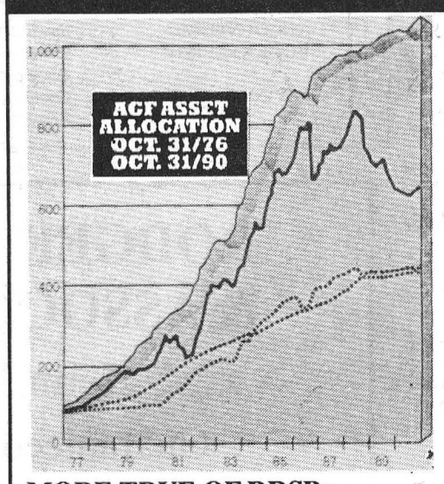

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MORE TRUE OF RRSPs

What Fortune Magazine has to say about Asset Allocation is even more true of RRSPs where dividends and capital gains are reinvested in pretax dollars. How you allocate your RRSP between stocks, bonds and the money market can have a bigger impact on your long-term returns than the specific investments you make. The problem is timing. When should you get out of the stock market? When is it time to switch into bonds? Does keeping your RRSP in cash make more sense in this kind of economy?

OBJECTIVE ANSWERS

AGF's Asset Allocation Service offers a computer based system for deciding on when to change your RRSP asset mix. The system is based on a proprietary computer model of a major U.S. brokerage firm, which evaluates over 17 years of relative returns of cash, stocks and bonds. The model has been tracked through all kinds of markets, and although the past is no predictor of the future, the results were impressive. For example, in October 1987, just before the major market decline, the model weightings were 9% cash, 86% bonds and only 5% stocks!

HOW ASSET ALLOCATION WORKS

The model operates by constantly calculating expected rates of return on cash, stocks and bonds in the U.S. and comparing current relationships with historical relationships. As deviations from normal increase, the model allocates a greater weighting to the asset that has deviated positively. Thus the model develops a mix of assets, and depending on circumstances, the weights can vary from 0-100% in any single asset.

HOW IT APPLIES IN CANADA

AGF implements the Asset Allocation Service by utilizing three AGF funds to represent the three asset types: AGF Canadian Equity Fund Limited (stocks), AGF Canadian Bond Fund (bonds) and AGF Money Market Account (cash). When AGF backtested the model using these funds, the results were impressive as illustrated at left. An RRSP investment of $100,000 on October 31, 1976 would have grown to $1,031,791 by October 31, 1990. These returns are after all management fees, assume a 2% transfer fee with each switch and assume reinvestment of dividends/distributions.

COST

An RRSP investment is made among the three funds, and is subject to an initial or deferred sales charge (detailed in the prospectuses). Transfer fees of 2% will be charged each time a switch is made, subject to an annual maximum of 2% of the aggregate net asset value of your holdings.

MORE INFORMATION

For more information on AGF's Asset Allocation Service and relevant prospectuses, talk to:



ALAN SPENCER
Select Financial Services Inc.
1010 Polytek Court, Suite 8, Ottawa, Ontario, K1J 9H8, 613-745-8432

Yes, I'd like to hear more: Please arrange to have information on AGF's Asset Allocation Service sent to me.

Alan Spencer
1010 Polytek Court, Suite 8
Ottawa, Ont., K1J 9H8

Name: _____

Address: _____

City: _____ Prov.: _____ Postal Code: _____

Home Phone: _____ Bus. Phone: _____

AGF ASSET ALLOCATION

This advertisement is not to be construed as a public offering. The offering is made solely by the relevant prospectuses, which contain details of all charges. The Asset Allocation Service may be utilized by investors resident in those jurisdictions where AGF is permitted to administer the service. Copies of the prospectuses may be obtained from an investment dealer or mutual fund specialist in those jurisdictions. Please read them prior to making a purchase and retain them for reference. Rates of return shown are average annual compound returns for the periods indicated, and are calculated on the net amount invested. All returns assume reinvestment of dividends or distributions. Rates of return as calculated by AGF for Asset Allocation Service and for the underlying funds are as follows, for periods ending October 31, 1990. Asset Allocation: 14 years 18.1%, 10 years 15.0%, 5 years 8.9%, 3 years 5.8%, 1 year 1.4%. For AGF Canadian Equity Fund, 14 years 14.0%, 10 years 8.3%, 5 years 2.1%, 3 years -1.5%, 1 year -24.8%. For AGF Canadian Bond Fund: 14 years 10.9%, 10 years 12.7%, 5 years 8.8%, 3 years 7.1%, 1 year .5%. For AGF Money Market Account: 14 years 11.04%, 10 years 11.3%, 5 years 9.8%, 3 years 10.8%, 1 year 12.4%. Rates of return will be reduced by any sales charges which apply.

Tax clawbacks hit all ages

It was first announced in April 1989 and didn't finally get through the Senate until October of 1990, but now the "clawback" is firmly in place.

As a result, for tax year 1991, family allowances and Old Age Security payments must be fully repaid by taxpayers with net incomes over $50,000 — "clawed back" by Ottawa.

Actual payments at both ends of the life cycle will continue to everyone eligible, regardless of income, but at tax time they're repayable — two-thirds for tax year 1990, due by April 30 this year, and 100 per cent for tax year 1991.

Relatively few taxpayers have been hit so far — only about four per cent, Revenue Canada says, and only half of those will lose the full amount.

Now the long-established principle of "universality" in social payments has been breached, observers fear this may be only the thin edge of the wedge, and that others will feel the clawback talons in the future.

Furthermore, the $50,000 liability "threshold" is to be only partially indexed to the cost of living, so steadily more taxpayers will be hit as years pass.

One way or another, there doesn't seem to be very much higher-income taxpayers can do, except to grin and bear it.

And there may be minor relief in the fact the clawback applies to each individual, as opposed to total family income, so in some circumstances the tax could be reduced or avoided by splitting income between spouses.

It could also be worthwhile to watch the dates when you receive other types of income and adjust them where beneficial to do so. For example, starting an annuity before age 71 could trigger the clawback.

Canada 10th in savings

Once upon a time, Canadians had a reputation as savers second to none. We were widely believed to stash more money away and buy more life insurance than practically anyone in the world.

No more.

Now at $12,794 a head on average in 1989, we were only tenth in the rate-of-savings stakes — but still well ahead of the americans, who placed 14th.

Japan was first with per capita holdings of $40,118 (U.S.) in savings and term deposits.

Switzerland was second at $23,418 followed by Belgium, Austria, the Netherlands, West Germany, Norway, Singapore, France, Canada and Finland.

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Tax appeal process simplified

If you decide your tax assessment is unfair, you have every right to ask for a review. Furthermore, according to Revenue Canada, the appeal process has been simplified in recent years with many potential disagreements resolved before formal objections are filed.

There were 45,666 such objections in 1989 and the big majority were settled fairly easily and without legal action, Revenue Canada says.

Anyway, if you are unhappy with your assessment, you'll have 90 days to file a formal "notice of objection" although it's recommended you take less formal steps first. They will save time and money if they work and in most cases they do.

First ask the district taxation office to explain the assessment. This makes sense because many disputes arise over misunderstandings and can often be resolved on the spot.

Then if you are still unhappy, it's time for the formal notice. The forms are available from any tax office.

Then go to the deputy minister of revenue for taxation by registered mail. Then you wait while a department appeals officer reviews the objection — and in due course renders a decision. When they get it, 83 per cent of taxpayers either heave a sigh of relief — and relax, or a sigh of resignation — and pay up. The few remaining appeal to either the Tax Court of Canada or the Trial Division of the Federal Court of Canada.

If things get this far however, you'll be needing legal advice on how your case should be handled. But let's hope: a) you don't have to disagree with your assessment in the first place; or b) if you do, you're among the big majority of taxpayers whose problems don't get to the level of a court case.

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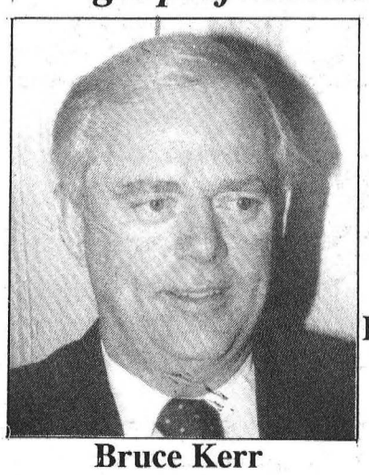

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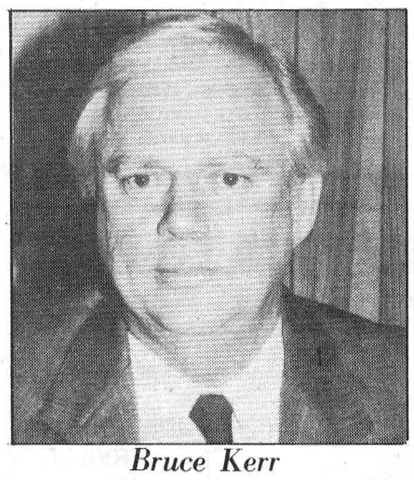
RRSP investments can double in 7 years



Bruce Kerr

DID YOU KNOW?

Every dollar you earn over $27,800 is worth only about 58 cents. After the government has subtracted its 42 cents from every $1 (ouch!), an additional $3,500 would only equal $2,030.

By placing that $3,500 in an RRSP, you keep the entire amount. In fact, if you invest $3,500 at 12%, you will make $420 in tax-sheltered interest after the first year. After two years you will have accumulated $4,390.40, and within seven years, your investment will have doubled. As little as $1,000 invested in an RRSP annually at 10% for 35 years will grow to $298,127!

BUT WHERE DO I GET THE MONEY?

With the financial demands of working, raising a family and all the other expenses of modern living, many people find themselves at the beginning of "RRSP Season" with no money to invest. Christmas was expensive, the car needs repairs and the house insurance is coming due... it's hard to find the money to invest, and tempting to spend any money you do have. Changing the way you view saving may help you overcome this difficult situation:

#1 - Pay yourself first

Make yourself and your family your number one financial priority. Every month, take 10% of your paycheque right off the top and pay yourself. Put some of the money in savings, if you don't have an emergency fund started already. Take the rest and invest it in an RRSP on a monthly basis. The instant the money goes into an RRSP, it is safe from the taxman. You can arrange to have a monthly contribution taken off your paycheque automatically. There's no temptation at all to spend the money, because you never even see it.

#2 - Make time work for you, instead of against you

Contributing as much as possible to an RRSP, making small, regular payments over a long period of time, will ensure substantial growth of your retirement savings. Because of the impact of compound interest, missed contributions to an RRSP can never be made up. The more money you contribute to an RRSP and the longer it stays there, the more dramatically it grows.

THE SIMPLE TRUTH

Most of us haven't taken advantage of an RRSP for a simple reason: we can't afford to. We live on the money from our paycheques. And that paycheque is made considerably smaller by mandatory deductions, including income tax. Often, we find the normal expenses of life use up most of what's left on the cheque, and at RRSP season we haven't anything significant to invest. Of course, a better approach would be to contribute a little each month in order to take advantage of the benefits of a retirement savings plan, while still making ends meet.

If you have the savings blues, a payroll deduction plan may be the solution. A few dollars off your paycheque every month can be deposited into a registered or non-registered account that will automatically start earning higher interest rates than where you currently bank. If you need the money in the event of an emergency, the funds can be released.

This season, an RRSP loan may also provide an answer to your contribution. A loan from XYZ Trust at prime plus 0% for $1,000 will cost you less than $100 per month. You will pay $63.22 in interest on the amount borrowed, but will earn $100 in interest (at current rates). Therefore, the loan will effectively generate savings of $36.78 in addition to your income tax reduction.

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