

## 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:**



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