

RRSP Contribution Booster



Prepared for: M. Hubert REER

By: Jean Le Conseiller



Planiste Ltd. 485 McGill, suite 400 - Montreal (Quebec) H2Y 2H4
Telephone: (514) 904-0934 - Toll free: 1 (866) 904-0934 - Fax: (514) 904-0936

RRSP contribution booster

A comfortable retirement at your finger tips

The main purpose of an RRSP is to allow an individual to save money for retirement and to defer taxes on the portion of the income invested into the plan.

Although it's possible to contribute up to 18% of the annual admissible income (of the income of the year before) or the maximum allowed contribution (whichever is the lowest) minus your pension adjustment factor, many of us don't take full advantage of this unique retirement tool.

The RRSP contribution booster is designed to help investors increase their RRSP contributions without too much burden on their lifestyle.

The principles are simple and easy to implement. First, the client's regular contribution is made in advance; then, multiple RRSP loans are set up in order to maximize the income tax return. In doing so, one of the loans is entirely paid back.

Once your specific information is in the system, the objective of the RRSP contribution booster is to determine the ideal RRSP contribution financially and tax wise.

Disclaimer

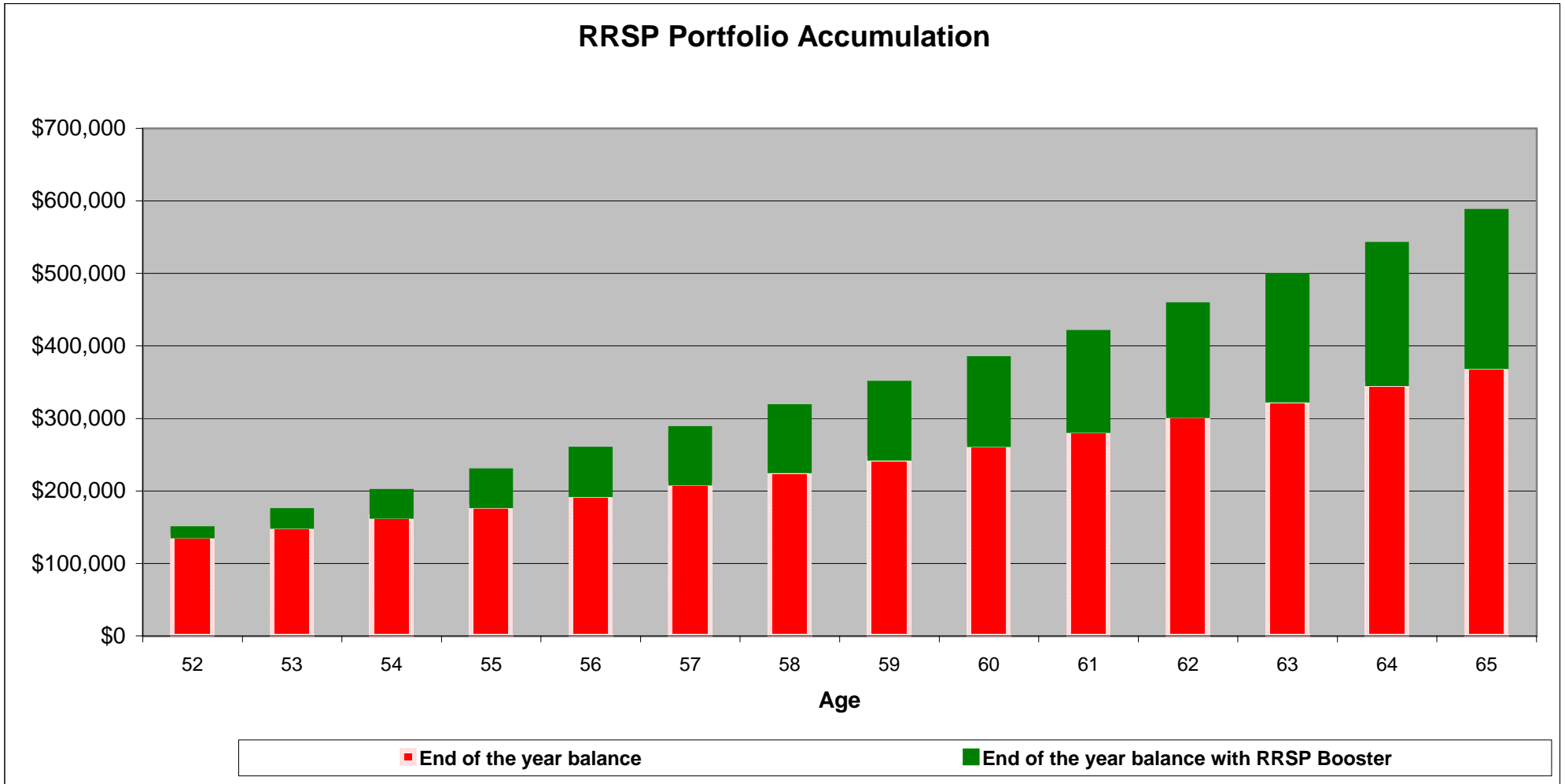
Many factors could influence the outcome of this strategy:

- a-) The anticipated income tax refund is the result of a mathematical calculation. This amount may vary depending on the type of income (salary, commissions or other), the salary deductions and tax credit you're entitled to.
- b-) The RRSP portfolio rate of return is not guaranteed and could be different from the one used in this projection. Always be sure that the asset allocation of your portfolio is in line with your investor profile.
- c-) Discipline (using your income tax refund to pay off one of the RRSP loans) and financial effort are key elements to the success of this strategy. Not respecting them will necessarily modify the outcome of the simulation.

Summary

The **RRSP Contribution Booster** is designed to obtain the full potential of the numerous advantages of an RRSP investment. Discover your optimal contribution to live a comfortable retirement.

Province:	Quebec
Age:	52
Projected age at retirement:	65
Annual Gross Income :	\$75,000
-Annual growth:	2.00%
End of the year balance including last 12 months contributions	\$125,000
Unused RRSP room:	\$15,000
-Number of years to spread unused RRSP room:	5
Current RRSP monthly contributions:	\$500
Annual contributions	\$6,000
Interest rate on RRSP loan:	5.00%
Rate of return on RRSP balance	5.00%
RRSP contribution indexed to your income growth:	Yes



A rewarded effort

By implementing the optimized RRSP Contribution strategy, you will have a more important retirement capital than in your current situation. The combined influence of the sheltered growth, the contribution deduction and your personal involvement produces spectacular results.

Age	Annual income	Optimal RRSP contributions	Unused RRSP room	Optimal monthly contributions with loan interest	Return on investments	First RRSP loan	Second RRSP loan	Tax refund	End of the year balance	End of the year balance with RRSP Booster
52	\$75,000	\$16,500	\$12,000	\$300	\$6,900	\$3,508	\$6,992	\$6,992	\$137,550	\$148,400
53	\$76,500	\$16,770	\$9,000	\$823	\$8,259	\$9,610	\$7,160	\$7,160	\$150,728	\$173,429
54	\$78,030	\$17,045	\$6,000	\$832	\$9,524	\$9,718	\$7,327	\$7,327	\$164,564	\$199,998
55	\$79,591	\$17,326	\$3,000	\$841	\$10,866	\$9,828	\$7,498	\$7,498	\$179,092	\$228,190
56	\$81,182	\$17,613	\$0	\$851	\$12,290	\$9,941	\$7,672	\$7,672	\$194,347	\$258,093
57	\$82,806	\$14,905	\$0	\$713	\$13,650	\$8,328	\$6,577	\$6,577	\$210,364	\$286,648
58	\$84,462	\$15,203	\$0	\$723	\$15,093	\$8,445	\$6,758	\$6,758	\$227,182	\$316,944
59	\$86,151	\$15,507	\$0	\$733	\$16,623	\$8,564	\$6,943	\$6,943	\$244,841	\$349,074
60	\$87,874	\$15,817	\$0	\$744	\$18,245	\$8,686	\$7,131	\$7,131	\$263,383	\$383,136
61	\$89,632	\$16,134	\$0	\$754	\$19,963	\$8,810	\$7,324	\$7,324	\$282,853	\$419,233
62	\$91,425	\$16,456	\$0	\$765	\$21,784	\$8,937	\$7,520	\$7,520	\$303,295	\$457,474
63	\$93,253	\$16,786	\$0	\$780	\$23,713	\$9,115	\$7,671	\$7,671	\$324,760	\$497,973
64	\$95,118	\$17,121	\$0	\$796	\$25,755	\$9,297	\$7,824	\$7,824	\$347,298	\$540,849
65	\$97,020	\$17,464	\$0	\$812	\$27,916	\$9,483	\$7,981	\$7,981	\$370,963	\$586,228

Conclusion

Age	Actual contributions	Optimal contributions	Effort
52	500 \$	300 \$	-200 \$
53	510 \$	823 \$	313 \$
54	520 \$	832 \$	312 \$
65	647 \$	812 \$	165 \$

Putting in place the RRSP contribution optimization strategy is worth the effort. Maximizing the RRSP advantages, enables you to have the tax authorities partly finance your retirement.

By moving your regular monthly contributions (\$500) to the beginning of the year, you will be able to immediately deduct the amount you would have normally contributed over the next 12 months. Added to the total contributions over the last 12 months, this amount (obtained via a loan) increases your income tax refund.

The strategy calls for a second loan equal to the total income tax refund (\$6 992). This loan will be completely reimbursed once you receive your tax refund from the governments.

Be responsible, be sure to pay back your loans as planned.

Your efforts produce additional RRSP capital of \$215 265

