

Consolidating your RRSPs can provide substantial benefits

Do you have multiple registered retirement savings plan (RRSP) accounts at various financial institutions? While you may have thought you achieved diversification by following this approach, spreading out your investments this way means no one individual understands your various investments and how they fit into your retirement goals.

As you review your financial security plan, you should consider the benefits of working with one financial security and investment representative, and moving towards a more unified approach. This strategy can offer a co-ordinated strategy to reach your goals, as well as these other significant benefits.

It provides one single consolidated statement.

Moving your investments into a single plan makes life easier – and a single statement makes tracking your account much simpler.

It avoids over-diversification.

Investors with multiple accounts often have a huge number of investments. A consolidated plan offers you the opportunity to easily see the big picture. You and your financial security and investment representative can properly assess the risk associated with your retirement holdings and move them into a portfolio designed for your current risk tolerance.

It provides maximum flexibility.

If adjustments to investments are necessary, a single consultation with a financial security and investment representative can provide quick and effective service. Together, you can easily determine and understand how such changes affect your overall retirement plan.

It helps prevent administrative hassels.

Some companies have minimum balance requirements for RRSPs. Having your retirement assets held in a single account avoids this problem.

It gives you more personalized attention and advice.

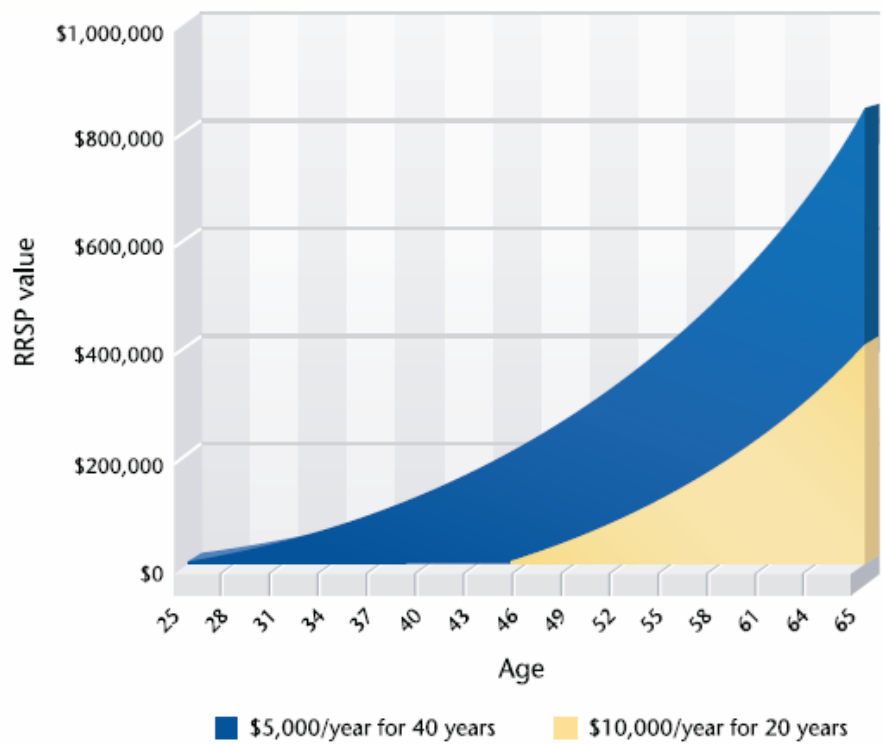
Clients often find they're faced with conflicting advice or a lack of attention. Having a single trusted financial and investment representative working with you ensures you won't face these frustrations.

If you aren't already contributing to a registered retirement savings plan (RRSP), consider starting now to jump start your way to long-term financial success.

Investing early and consistently (even a little) gives your money more time to grow and offers you the best chance to meet your savings needs.

You may have competing financial priorities that can make it hard to build your savings. Talk with your financial security and investment representative about ways to restructure your debt and reduce the interest you pay. You can work together to set up a plan to make it easier to find money to save for your future.

The longer you allow for compounded growth, the more likely you'll meet your savings goals. You also get the added benefit of tax-free savings while the money is invested in the RRSP and your savings have a longer time to grow.



RRSP or TFSA Which should you consider first?

The tax-free savings account (TFSA) has been heralded as the single most important personal savings vehicle since the introduction of the registered retirement savings plan (RRSP).

At the same time as RRSP season gets into full swing, an additional \$5,000 of contribution room becomes available in your TFSA. You may be asking in which you should be investing – RRSP, TFSA or both?

The answer depends on your needs, as well as your income tax rate today and your income tax rate at the time you plan to withdraw your money. Consider the following three scenarios:



SCENARIO 1

Tax rate when you redeem is the same as when you contribute

Recommendation: Since TFSA and RRSP provide equal tax benefits, consider some other factors:

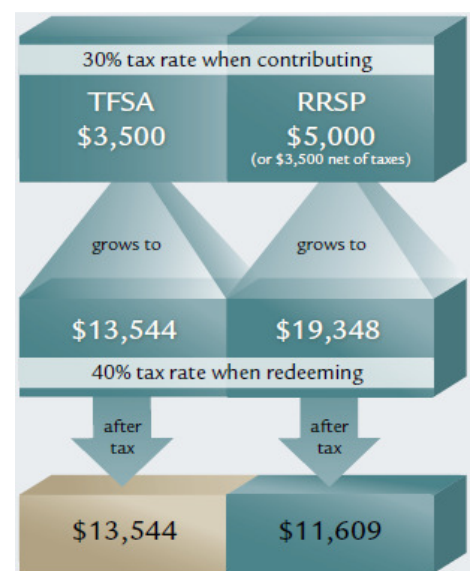
- With TFSA's at a relatively low limit of \$5,000 per year, one option is to start with TFSA, contributing any remaining long-term savings to an RRSP.
- If you have little or no RRSP contribution room, TFSA is the best choice for tax-free growth.
- If funds are going to be used for short-term spending versus long-term savings, TFSA may be preferable since withdrawals can be made tax-free and are added back to contribution room in the next year.



SCENARIO 2

Tax rate when you redeem is lower than when you contribute

Recommendation: RRSP first, then TFSA. By using your RRSP contribution room first, you'll obtain greater tax savings since you are subject to a higher tax rate now.



SCENARIO 3

Tax rate when you redeem is higher than when you contribute

Recommendation: TFSA first, then RRSP. If you expect to earn more income in the future, it makes more sense to contribute to a TFSA now, when you are paying less tax; and contribute to your RRSP later, when you will be subject to a higher tax rate and your RRSP contribution will generate a larger deduction.

Source: QUADRUS Investment Services Ltd. A division of London Life Insurance Company

Disclaimer:

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