

Borrowing to Boost Your RRSP

> Why you should take advantage of an RRSP Loan

Do you contribute the maximum to your RRSP every year? Have you taken advantage of all your contribution room carried over from previous years? If you answered “no”, you’re not alone. Seventy percent of Canadians saving for retirement still have contribution room left in their RRSPs.

Now may be an excellent time to consider borrowing to beef up your RRSP. That’s because in a lower interest rate environment, and over the long term the gains from tax-sheltered compounding may far outweigh the cost of borrowing. Also, you may be eligible to receive a tax refund that can be used immediately to pay down a sizable portion of the loan.

> Getting a head start on next year’s contribution

Your loan should be paid down in regular installments so it’s completely discharged in a year. Even when your loan is completely paid off, you should continue to make the same payments. Instead of paying for a loan, the payments can go into your RRSP. It’s a good habit to get into, and you’ll be ahead of the game. Your money will be invested and compounding throughout the entire year instead of going in as a lump sum in February.

Prime rate loans are available for terms of one and two years. Prime is the lowest lending rate offered by banks to their preferred customers.

> A variety of options

There are a variety of loan options. You can borrow to make a single contribution this year. Or, you can “max out” your RRSP with a catch-up loan. These loans allow qualified individuals to borrow larger amounts to take full advantage of the contribution room they have left, going back to 1992. To find out how much room you have, check your Tax Assessment, the notice you received after you filed your last income tax return.

Of course, you should consider borrowing only if you have a long-term view for your RRSP. Consult your Assante advisor.



Our RRSP Loan Program

- > Assante has distribution alliance arrangements with National Bank of Canada and B2B Trust, offering you a variety of RRSP loans and attractive features to meet your individual needs:
- > Minimum loan amount of \$1,000 for terms of up to ten years; no maximum if RRSP contribution room is verified
- > Variable rate loans as low as prime for one and two-year terms; additional rate information is available through your Assante advisor
- > Up to six months payment deferral option – no need to make principal or interest payments for up to six months (although interest accrues from the date the loan is funded)
- > Buyout and transfer loans – take advantage of competitive rates and the convenience of having a single monthly loan payment by consolidating your RRSP loans held at other financial institutions

Important Things to Consider

- > Interest on an RRSP loan is not tax deductible
- > You should not borrow more than you can repay in a short period of time. You'll want to be able to pay off your loan and, if possible, begin saving for next year
- > If you are interested in a carry forward loan speak to your Assante advisor
- > Understand that your loan payments will affect your overall debt load and ability to secure future credit. Most financial institutions use a debt-to-service ratio – the percentage of monthly income that is used to pay off debts – to determine loan eligibility. Consider your future borrowing needs and how this loan may affect your eligibility
- > Have a personalized plan to make your RRSP savings grow
- > Don't wait until the RRSP deadline. Consult your Assante advisor early

Using borrowed money to finance the purchase of securities involves greater risk than using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

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