

Benefits and drawbacks

Continued from Page 3

Although self-administered plans have the potential to offer a higher return than virtually any other type of RRSP investment (especially now while the stock market is so buoyant), some investors end up losing precious retirement dollars. How, then, do you decide if the self-directed vehicle is right for you?

Phillip Scheiding, vice-president of trust services at First City Trust, believes that the three most important factors in determining the success of a self-directed RRSP are capital adequacy, knowledge and time. It is worth looking at these factors individually.

Most financial advisors suggest that unless you have a minimum of \$10,000 in your plan, the annual fee represents too high an expense in relation to the level of assets in the account. (For example, First City's self-administered plan fee is one of the lowest in the market at \$95 per year with no additional transaction charges, yet this still represents an ex-

pense ratio of almost two per cent if you have only \$5,000 in your self-directed plan.) They advise that you are almost certain to achieve a better return with a guaranteed investment-type RRSP. Of course, it is better to transfer in (tax-free) the proceeds of an RRSP you already own rather than start from scratch.

Because your self-directed RRSP can only be as good as the investment decisions you make for it, the second important factor — knowledge — is critical. This includes knowledge both of the product and of the market. Not everyone realizes that under the terms of the trust agreement, the planholder is solely responsible for ensuring that all his investments conform to Revenue Canada legislation governing the eligibility of investments.

A partial list of eligible investments includes common stocks and preferred shares of companies listed on a prescribed Canadian stock exchange, options, deposits of money in a Canadian

bank, trust company, or credit union, government bonds, trust company guaranteed investment certificates, certain units of a mutual fund trust and certain mortgages secured by real property located in Canada.

Unqualified assets include gold or other precious metals, art and antiques, shares of almost all private corporations, commodity futures, and real estate. Adding an unqualified asset to your RRSP exposes your plan to a significant tax penalty. This is to be avoided for obvious reasons.

"The 10-per-cent foreign ownership limit within an RRSP can also cause problems for unwary investors,"

Scheiding pointed out. "This 10 per cent is based on 'book value' (original cost), not market value, so special care must be taken in this area also. A one per cent per month tax penalty is levied on the excess and this can be very costly."

Yet another area in which the prospective investor must acquire some expert knowledge is the proposed new

legislation on capital gains. These proposals are both too complex and too untested to treat satisfactorily here but they can be expected to have a significant impact on the way investors choose to structure their self-directed plans. This will be especially true if they plan to "sell" or contribute in specie any personally owned assets to their self-directed vehicle.

SAME DAY TAX RETURNS

101 Guelph St., Georgetown

877-2217

RSPNEWS

Best RSP rates in Brampton.

We guarantee it.

Best because we'll match any major* bank or trust company offering a higher interest rate than ours. This applies to all our Guaranty Trust GIC-RSPs, 6-month to 5-year terms, in amounts of \$1,000 or more, and your interest compounds annually at these same high rates. Ask for details.

And ask about our complete choice of RSPs to suit every purpose — GIC, Daily Interest, Government Guaranteed, Managed Fund and Mortgage Fund (the latter not available in Quebec).

*Canadian Imperial Bank of Commerce, Royal Bank, Toronto Dominion Bank, Bank of Nova Scotia, Bank of Montreal, Royal Trust, Canada Permanent Trust, National Victoria & Grey Trust, Canada Trust.



1926-1986
Member Canada Deposit Insurance Corporation

233 Queen Street East (Kennedy Park Plaza) 454-3540



Do you have questions about taxes, investment return, business loans, real estate transactions, personal financial planning?

We have answers. Call us.

Goebelle
Wagner
MacAdam

Chartered Accountants

Offering Services in:

- Auditing • Accounting • Bookkeeping
• Personal & Corporate Income Tax

37 Main St. S.
Georgetown
Ontario
877-5155
453-5532

Meadowvale
Corporate Centre
2000 Argentea Road
Mississauga, Ontario
826-6152

McLEOD YOUNG WEIR PRESENTS

FREE INVESTMENT SEMINARS

DATE: Tuesday, February 25th - 7:30 p.m.

LOCATION: McLeod Young Weir,
201 City Centre Drive, 6th floor,
Mississauga

TOPIC: Self-Directed RRSP's —
THE INVESTMENT ALTERNATIVES

SPEAKER: Christopher J. Hodgson
— Vice-President
McLeod Young Weir

Seating is limited. Reply to Laurie Allen
848-1300 for reservations.

I am unable to attend but would like to receive FREE information on self-directed RRSP's.

NAME: _____ RETURN TO:
ADDRESS: _____ C.J. HODGSON
McLEOD YOUNG WEIR
201 CITY CENTRE DR.
6th FLOOR
MISSISSAUGA, ONT.
L5B 2T4
PHONE: _____