

Outlook on Lifestyle

DOLLAR SENSE

RRSP: tax-saver enjoys facelift, new popularity

By John Switzer, CA

The Registered Retirement Savings Plan, or RRSP, is one of the most popular investment vehicles for the average person. It should be an important element in everyone's personal financial portfolio.

RRSP's provide an immediate tax saving in the year contributions are made while permitting the money to grow tax-free as long as it remains in the plan.

Dollar Sense offers general financial advice by members of The Institute of Chartered Accountants of Ontario. John Switzer is with National Trust Company, Toronto.

RRSP's are enjoying a new popularity, largely due to legislative changes - part of a large-scale overhaul of Canadian pension legislation - that are in various stages of implementation at the federal government level.

Each year in January and February, when RRSP contributions can still be deductible for purposes of the previous year's taxes, the financial institutions conduct vigorous campaigns for RRSP business. With larger limits in the offing, these campaigns will increase in intensity.

Some highlights of the current and proposed RRSP legislation:

- Under current law, individuals who belong to defined-benefit pension plans (those where the benefits are known in advance) may contribute up to the lesser of 20 per cent of their earned income or \$3,500 for 1986, less contributions to the employer pension, and get full deductibility. (Earned income excludes investment income).

- People who do not belong to defined-benefit pension plans may contribute up to 20 per cent of earned income or \$7,500, whichever is less. The government plans

to increase the contribution limits for those who are not members of defined-benefit plans over the next five years to a maximum \$15,500 in 1991, but limited after 1987 to 18 per cent of earned income rather than the present 20 per cent.

- Most people who have RRSP's choose deposit-based guaranteed investment certificates, which pay a fixed interest rate for terms of one to five years. Another popular kind of RRSP is the self-directed type, which offers full investment choice by the taxpayer. Low administration fees and flexibility of investment choice are the main benefits of the self-directed RRSP.

- You can make RRSP contributions up to and including the year when you reach age 71, but by the end of that year your RRSP's (you can have as many as you want) must be deregistered. Usually the plans are converted into monthly retirement income, which is taxable in the year it is received.

- Spousal RRSP's are well worth considering if you anticipate that your spouse will have significantly less retirement income than you. The income generated will eventually be taxable in the more lightly taxed hands of the spouse.

Advice from chartered accountants is also available on television: Watch for Your Wealth, on broadcast channels, and Money in the Bank, on most cable channels.

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Yard sale mistakes can be costly for seller

Everyone who holds a yard sale runs the risk of selling valuable items for a tiny fraction of their real value, warns collectibles expert, Dr. H. A. Tony Hyman, author of *Cash For Your Undiscovered Treasures*.

"Professional yard sale shoppers make handsome livings eagerly snapping up your mistakes," he cautions.

A Long Island couple who sold their "ugly little dish" for \$2 at a house sale were horrified to see it resell within days for \$66,000.

Another homeowner was pleased when someone bought her picture frame for \$5, but a lot less happy when the new owner sold the photograph that was in the frame for \$53,900.

The Maryland man who sold his \$3,000 tin can for \$12 was equally dismayed to learn, too late, its real value.

Hyman calls them "undiscovered treasures," items worth much more than the owner believes. And they turn up every weekend on lawns and porches across America, sold by folks who want to make a few bucks when they clean house, move or dispose of an estate.

Sadly, Hyman points out, "a few bucks is all they get, when they should be making a lot more."

Claims Hyman, a collector for 35 years, "I've found \$300 items in trash cans more than once."

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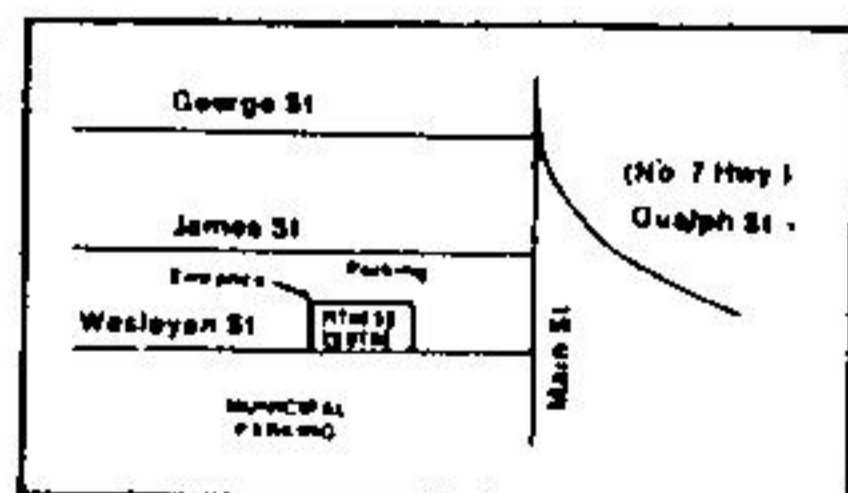
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