

# Money Matters

## Professionals should be consulted in financial matters

I earned it!  
I saved it!  
I'm going to look after it!  
That's the way most of us think, isn't it? After all, it's my money, so nobody but me is going to look after it.

But, it is your body, and my bet is that 99.9% of us take that body to the a specialist, namely a doctor, for regular checkups and if we don't feel well.

I also believe that we seek out legal help when we are buying a house, or drawing up a will, or for dozens of other reasons.

Why?  
I believe it is because we know that these professionals know a lot more about medicine, and/or the law, than we do, so we consult them. In fact, most of us consult dozens of professionals in our lifetime, be they dentists, electricians, plumbers, carpenters, mechanics, etc. In fact, maybe people seek your help and assistance because you are a professional at whatever it is you do.

Shouldn't we do the same about financial matters?



**IT'S YOUR MONEY**  
Paul J. Rockel

Terry Stone (president of the Bolton Tremblay Funds) wrote in a letter to Investors Digest of Canada (magazine):

"It seems to me that expecting people to do their own financial planning and choose their own investments is much akin to expecting people to do their own legal or medical work. Few of us are qualified to make vital decisions in these specialized areas. In fact, I could say that there is no discipline that has more influence on the future quality of life of the individual and his family than proper financial planning."

Terry goes on to say ... "that in Ontario, the richest province, 48% retire below the poverty line. In the U.S. only 4% of Americans

retire financially independent ... Obviously, something is not working, and with the growth of the financial planning industry, hopefully that will change.

"...Without a financial consultant, how will the typical investor know how changes in tax laws affect his or her investments and whether or not they should make changes?"

I agree fully with Terry Stone's statements. Do you?

Have most of us ever decided to consult an independent mutual fund specialist, or a financial planner? Or have we even rejected someone who was referred to us, because we "were afraid to think about these things" or we were afraid we "might be sold something?"

Most of us turn to specialists in almost everything we do. But we seem afraid to do so in the field of financial affairs. Yet, as Terry says, there is probably nothing that has more influence on the future quality of life (even our health, sometimes) than proper

financial planning.

Let's all seek advice, no matter what our age, to see if we can improve our financial health (and wealth). Chances are we can even reduce the tax bite.

For a free comparison of a mutual fund with a 10% investment and inflation over the last 23

years, contact Peter C. Masson M.B.A., Regal Capital Planners Ltd., 10 Fagan Drive, Georgetown, Ontario or phone 877-7216.

Paul J. Rockel is the author of the best seller "Why I Invest In Mutual Funds" and President of Regal Capital Planners Ltd.

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## RSP strategies discussed

As the new year begins, it is time once again for Canadians to begin contemplating the annual ritual of deciding what to do about their annual RSP contributions.

This article is the first in a series about RSP's in which I will be discussing several strategies to help you make the most of your RSP and which will hopefully make your RSP decision a little easier. This first article discusses the use of your RSP as a tax shelter.

We all know that when we put money in an RSP each year, we get money back from the government. And that's great. But there's more to it than that. Because Tax Reform has reduced the effectiveness of other tax shelters, the RSP now offers protection against inflation and taxes that few other investments can. Let's look at an example. If an investor were to make annual contributions of \$7,500 and invest them at 12% over a 25 year period, this investor would have \$999,985 for retirement (assuming a 45% tax bracket). If an investor were to save \$7,500 each year, still invested at 12% but held outside an RSP, that investor would only have \$448,057. This example shows that using the tax-sheltering ability of an RSP results in half a million dollars more for retirement. Many people do not consider RSP's to be a tax shelter, but this example clearly demonstrates their effectiveness in this role.

Another way to make the most of your RSP as a tax shelter is to shelter the right kinds of investment income in the plan. For example, under Tax Reform, the \$1,000 investment income (including interest income) deduction is now gone. One of the best ways to retain a tax break on interest income is to shelter it in an RSP. That way interest payments are not subject to tax and are simply collected in the RSP to be reinvested at the discretion of the holder. Investments of this type which are suitable for inclusion in an RSP include: Canada Savings Bonds, GIC's, Coupons, Mortgage-backed Securities and bonds.

Also, under Tax Reform, the lifetime capital gains exemption has generally been capped at



**Dollars and Sense**  
by  
Brian Slessor

\$100,000. You should therefore use your RSP to shelter capital gains after you have reached the \$100,000 limit.

Dividend income still receives preferential tax treatment, although the dividend gross-up and tax credit have been reduced. Therefore, investments which generate dividend income, such as common and preferred shares are usually best kept outside an RSP so that investors can take advantage of the dividend tax credit.

For more information on RRSP's, call Brian and ask for his free booklet "Successful RSP Investing." Brian Slessor is an investment executive with ScotiaMcLeod. Any questions should be directed to Brian who can be reached at (416) 863-2825. Call collect if outside Toronto.

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