

RRSP's have existed for 33 years

By VIC PARSON
Ottawa Bureau

Thomson News Service

OTTAWA - In 1991, if the past is any guide, Canadians will sharply increase the amount of money they pour into registered retirement savings plans (RRSPs).

A recent Statistics Canada study shows that RRSPs have become a more significant part of post-retirement income than the government-administered Canada and Quebec Pension Plans. It estimates RRSPs now total about \$100 billion, compared with pension entitlements of about \$55 billion.

And with major changes to the RRSP legislation in effect for the 1991 tax year, taxpayers are expected to dump more of their savings than ever before into the plans.

In the 33 years of their existence, RRSPs have grown from a program employed by only a few wealthy taxpayers to a device regularly used by millions of Canadians.

In 1968 (the first year data on the number of contributors was collected), one in 50 tax-filers made RRSP contributions. By 1987, more than one in five tax-filers participated. The total amount of money contributed had risen sixty-fold.

Some contributors may see RRSPs primarily as a way of reducing personal income tax levies. Others may view them

chiefly as a way of establishing retirement nest-eggs. Whatever the case, they have become immensely popular.

IMPRESSIVE GROWTH

Hubert Frenken, a StatsCan analyst who did the RRSP study for the federal agency's publication Perspectives on Labor and Income, sees a number of reasons for what he calls the impressive growth.

There may be greater awareness now of the need to save for the future, he suggests. Taxpayers could be looking increasingly to tax shelters. And the annual RRSP campaigns by financial institutions alert customers to opportunities.

More easily measured are other factors. First, more women have jobs outside the home and, particularly in the case of two-income families, are making RRSP contributions.

In 1987, 39 per cent of tax-filers who made RRSP contributions were women and they accounted for about one-third of the dollar value of all payments. A decade earlier, only 25 per cent of contributors were women and their payments were only one-fifth of the total.

Moreover, of tax-filers in 1987 with incomes of \$50,000 or less, women were considerably more likely to make contributions to RRSPs. Above the \$50,000 threshold, this situation reversed.

Ottawa
Bureau

by
Vic Parsons
Thomson News
Service



As well, the 50-to-64 age group, which has historically had the highest contribution and participation rates, will be swelling in the 1990s. By 1996 the number of Canadians in the age group will rise to 4.1 million from 3.6 million a decade earlier.

CEILING RAISED
But perhaps the most telling

impact comes from the raising of the ceiling on allowable tax-free contributions, which especially benefited those with no employer-sponsored pension plans.

In 1972, when the maximum RRSP contribution rose to \$4,000 (or 20 per cent of income, whichever is less) from \$2,500, payments doubled. Smaller, though still significant increases, were registered in 1976 and 1986 when the ceilings were raised again.

For the 1991 tax year, the law will allow persons without corporate pension plans to pay the lesser of 18 per cent of income or \$11,500 into RRSPs. (That's a sharp rise from the current \$7,500 ceiling.)

That ceiling will rise to \$15,500 by 1991, and will be indexed an-

nually in 1996 and thereafter to the average annual rise in wages.

Many with company pensions or deferred profit-sharing plans will be able to make larger contributions, too, although the allowable payments will be limited by a "pension adjustment" based on employee and employer contributions to their private plans.

Taxpayers who were unable to make their full allowable RRSP payments in one year will be able to carry that entitlement forward for up to seven years. Under existing rules, if you don't make a payment by March 1, it's tough luck.

RRSPs seem destined more than ever to become a prime source of retirement income.

DON'T PUT ALL YOUR EGGS IN ONE BASKET



Most investment experts agree that diversification is the key to a prudent investment portfolio. As part of that diversification, R.R.S.P. monies should be placed in prime, income-producing real estate.

Properties such as shopping centres and office buildings offer security of annual cash flow in addition to substantial capital

appreciation potential. Now anyone who can invest \$500 in an R.R.S.P. can diversify their portfolio to include quality properties that are currently available at "bargain basement" prices.

METFIN

SOLID GROUND
for INVESTMENT



Jack Pignatelli
877-4579

Associate Broker For
THE INVESTMENT CENTRE

MEMBER OF THE LEHNDORFF GROUP

This is not to be construed as solicitation to sell securities, which may only be made by prospectus where permitted by law.

RRSP?

Check with State Farm

- Competitive Rates.
- Guaranteed Lifetime Income.
- Waiver of Premium for Disability Option.
- "Good Neighbor" Service.

Visit Your Local
"Good Neighbor"

**LORA
GREENE**

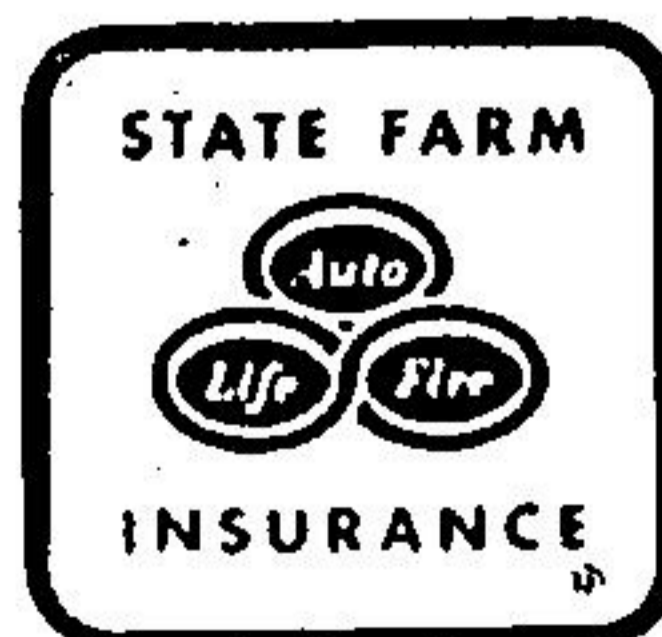
72B Main Street N.
Georgetown

873-1615



LORA GREENE

Agent



Like a good neighbor,
State Farm is there

State Farm Life Insurance Company
Canadian Head Office:
Scarborough, Ontario

