

## An RRSP must maximize retirement income

"I've got the best RRSP plan", your friend says.

Let's examine some of the 'best' plans. Many are offered by savings institutions, such as banks, trust companies, credit unions, etc. Others are offered by life insurance companies, stock brokers (who now call themselves investment advisors), and mutual fund companies.

The 'best' may be the savings institution, where we feel safe, our money is "secure", because the principal amount (not the rate of return) is guaranteed by the CDIC (Canada Deposit Insurance Corporation) up to \$60,000. Now, if I gave my money to a financial institution who was going to pay me rent (interest) for the money and then rent it out to someone else who I don't know at a higher rent, then, you bet I would want an ironclad guarantee.

The 'best' may be from a stock broker (investment advisor). If you are a sophisticated investor and have the time to study all of the factors involved to make your own investment decisions, knowing what to do, and when, and are usually right. Then, and only then, should you manage your RRSP yourself. You can then have dozens of stocks, bonds, strip bonds, mortgage backed securities, term deposits (GICs) etc. even a mortgage in your RRSP.

The 'best' may be a mutual fund RRSP. There are many different kinds of mutual funds, but they all have one thing in common, and that is professional management of your money. The managers of these funds do nothing else, they probably work longer hours at their job than most of us! The only way they can improve their incomes is to provide superior investment performance.

This writer's opinion is that the 'best' RRSP is the one that gives the greatest rate of return, with the element of safety that you

desire.

And the one that best fits that description (we believe) is a mutual fund RRSP program, either regular or for the more sophisticated, self-directed.

Why?

Well, for one thing, you can combine most of the benefits of all of the RRSP options in one plan. For those who absolutely insist on "Guaranteed security" what could be better than Government of Canada Bonds or Treasury Bills. You can have more than \$60,000 invested and they are still backed by the federal government. You can find this type of investment in a bond and/or money market mutual fund. Over the years these funds have matched or exceeded GIC returns, and the money is not "locked" in for five years.

There are real estate funds, where the managers hold income producing properties, leased to "triple A tenants" on long term leases. The properties are diversified geographically and by class of real estate. You could not hope to achieve this on your own unless you had many millions to invest. The value of the fund does not fluctuate as do equity funds and returns have compared very favorably with GICs and the money is not locked in.

Then there is my favorite, equity mutual funds, which over the long haul have performed better than other investment choices. Sure they fluctuate up and down in the short term, but some of the best of them still show 15 per cent per year average returns over the long term.

You can be diversified and have a mix of mutual funds of all types to meet your objectives. Your money is not locked up for fixed periods. You can switch from one fund to another if you like. You will usually be working with an independent financial planner, who can help you choose the right fund for you from the hundreds of different funds available. He will prepare a writ-



### IT'S YOUR MONEY

Paul J. Rockel

ten financial plan taking into account your tax position, financial objectives and insurance program, all at no added cost to you.

In my view the best reason to have a self-directed RRSP is to incorporate more international investment choices in your savings program. The big pension managers have been lobbying the federal government for years to allow more foreign investment in Canadian pension funds. (time has proved that international investment has tended to provide greater returns than domestic) Finally, the stalling in parliament came to an end in December 1991 and the regulations allowing increased foreign content in RRSPs and pension funds became law.

In spite of the daily dose of bad news being dumped on us by some of the media, what is hardest to take is the fact that this recession has been with us twice as long as the 1981-82 recession, 18 months as opposed to 9 months in 1981-82. In spite of the difficulty of accepting that, the recession will end sooner than many people think, the history of the past twenty years indicates that this is a time in the equity markets similar to 1974 and 1982, the best investment opportunities in 20 years.

What is your favorite RRSP investment program? Does it have additional or better features? Remember all RRSPs save taxes, but the most important thing is a long term plan to maximize your retirement income.

Are you going to rush to the nearest bank in the last week before the deadline and contribute as much as you happen to have at the moment at the cur-

Which would you rather retire with?

For a free booklet on RRSP investing and a chart comparing the performance of an actual mutual fund with a 10 per cent investment over the last 24 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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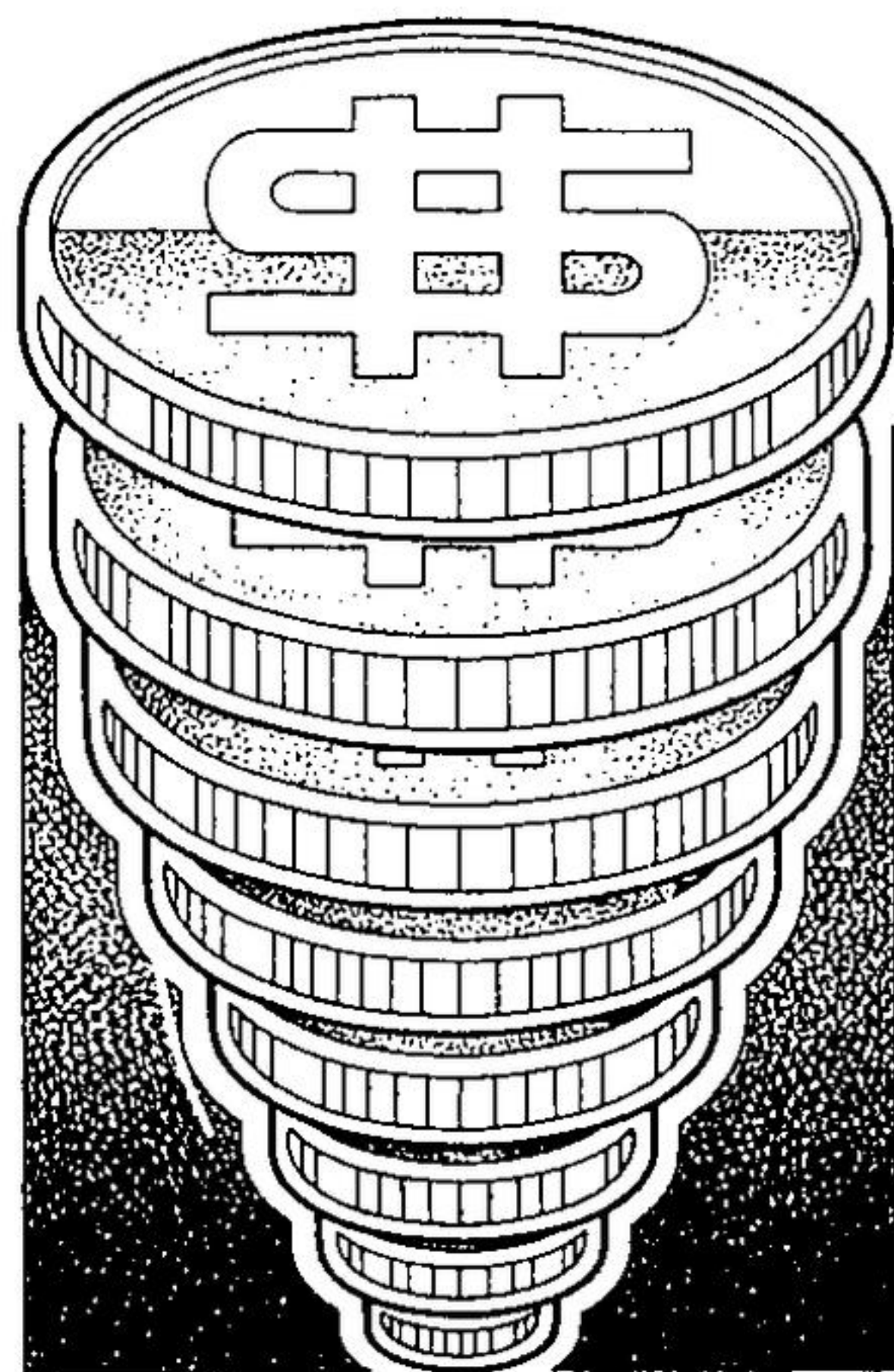
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