

Money Talks

Never Too Late

Is your retirement plan behind schedule?

Contributing to your RRSP early and investing regularly throughout the year can have a significant impact on its long-term value.

For example, let's assume that Jane Early began investing in her RRSP at age 25, and contributed \$1,000 per month for 10 years. Let's also assume that Suzy Late began investing in her RRSP at age 35, contributed \$12,000 once a year in December for a total of 26 years.

In this scenario, assuming an annual rate of return of 8%, Jane will have saved \$380,000 more than Suzy – even though she contributed a lot less!

Time is undoubtedly your greatest ally as an investor. But what if your retirement date is fast approaching and you haven't taken full advantage of your RRSP?

There are several things you can do to catch up.

Maximize RRSP contributions

If you have unused RRSP contribution room, consider an RRSP loan to maximize your tax-sheltered retirement savings. Generally, this strategy is most effective if you can re-pay the loan within one year or less.

Contribute after age 71

Your RRSP must be converted to a RRIF or annuity at age 71. However, if you still have earned income such as wages, royalties, or business revenue, you may be able to contribute to an RRSP in the name of your spouse if they are under age 71. In addition to providing an immediate

tax deduction, this strategy is an effective way to split your future retirement income with your spouse, and reduce your combined tax bill.

Over-contribute

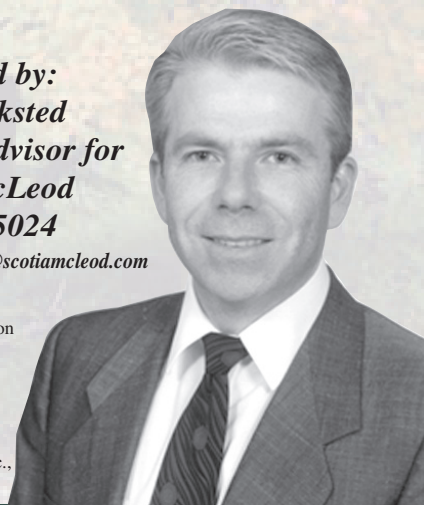
Your RRSP contribution limit in the current year is based on your earned income for last year. However, you can over-contribute by up to \$2,000 and pay a penalty of 1% per month on the excess funds. Compared to the benefits of added tax-deferral, it may be worthwhile to pay this penalty.

Contribute "in kind"

Your RRSP contribution does not have to be made in cash. You can also contribute securities that you already own to your RRSP "in kind". You will continue to own the security; however, you will have to declare any capital gains accrued at the time of the transfer and will not be able to declare any capital loss. Consult your tax advisor about whether this will work for you.

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Q: Is the tax-free savings account really worthwhile?

A: Yes, the tax-free savings account is a way to tax-shelter \$5,000 a year. Whether you are young or old, the tax-free savings account is a way to tax shelter income and growth. It allows you to split income with spouses/partners and you can withdraw assets (both original contribution and growth) from the TFSA at any time, for any reason, tax-free. If you are over the age of 18, you are eligible for a TFSA. To give you an idea of the power of this plan, a 22 year old who puts in \$5,000 a year and only earns 4% on the funds each year, will have \$470,000 at the age of 60. If you would like to see how this works, give me a call and I will send you the information.

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New boundaries for BIA on hold

By **CYNTHIA GAMBLE**
Staff Writer

Halton Hills council has deferred ratification of proposed new boundaries for the Georgetown BIA until more discussions are held with affected merchants.

The Business Improvement Area is proposing to add 21 commercial properties to its jurisdiction, plus Remembrance Park. The boundaries, which haven't changed since 1977, would expand from Church St. to Maple Ave. in the south, to Market, Church and Edith Sts. on the west, to the Main St./Guelph St. on the north and to the open space/ravine on the west side. The proposal would have no effect on residential properties within the expansion area.

But earlier this month, Robert Arsenault, of Fred's Towing, requested council delay its approval so he could get more information on how the expansion would affect his business. He said he was in the hospital when a required public meeting was held in October and his subsequent attempts to gather information proved fruitless.

Cor Buikema, Town manager of accounting, told Arsenault that night, under the new BIA boundary, Fred's Towing would be required to pay a \$2,200 annual BIA tax levy.

Planning Director Bruce MacLean said the Town and BIA made a substantial effort to inform everyone of the proposal. Until Arsenault, there was only one formal objection. MacLean said one-third of affected property owners must object before the expansion is blocked.

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