

It's RRSP time again.

Do You Need One?

Many people are embarrassed to admit they do not understand the basic purpose and uses for an RRSP. You should not be embarrassed.

There are two very basic purposes for an RRSP. The first is to allow yourself to save enough money on a tax-deferred basis in order to provide a retirement income later in life. The second reason that people invest in RRSPs is to reduce the tax payable on last year's income.

However, if you are going to university, or have a low income, you would not get any substantial tax back by contributing to an RRSP. You would be far better off to invest in something outside an RRSP, in something that would not attract tax, i.e., avoid earning interest and look for something that would earn a capital gain. Then later, perhaps after university when your income is higher, take these investments and contribute them to an RRSP and then make use of the deduction.

If you are in this position but have already made an RRSP contribution, hold on to the tax receipt and file it in a future year when your income would be greater and you could make greater use of it.

Is it better to invest inside or outside the RRSP?

Generally, if your marginal tax rate today is far less than it is likely to be when you withdraw your funds, you are better off to invest outside the RRSP.

Don't put all your eggs in one basket

The same general rules apply this RRSP season as in other years - diversify across sectors and countries, talk to an adviser to set your investment goals and invest only an amount you're comfortable with.

Investors can also take advantage of a change in the foreign content limit for RRSPs, which as of Jan. 1 has risen to 30 per cent. Several banks and mutual fund companies have introduced new global funds to help investors take advantage of the rule change.

Over a 25- or 30-year period, an RRSP investment portfolio with foreign content will outperform a strictly Canadian or North American portfolio. Canada only represents three per cent of the global markets, suggesting investors maximizing the foreign limit is an effective strategy.

Investors should focus on diversifying across sectors as well as countries, whether they be in telecom, oil and gas, financial services or biotech. This will probably put you in the best shape for this year's season.

Mutual Funds

More than one-third of Canadians have turned to mutual funds to take advantage of benefits unavailable from other investment alternatives. Mutual fund investors benefit from:

Expertise: Mutual funds are managed by full-time, professional money managers whose knowledge and expertise enable them to effectively review many investment options with an eye for those with best potential. Most investors do not have the expertise or time to do the painstaking research necessary to find good investments.

Diversification: Mutual funds enable investors to reduce risk and gain the possibility of greater reward by diversifying their holdings across different asset types, companies, industries and regions. Individual investors with limited finances may find it difficult to achieve diversification on their own.

Accessibility: Mutual funds offer accessibility in two ways. First, by investing in mutual funds, individuals can gain access to investment opportunities that would otherwise be unavailable to them because of their limited resources. Secondly, mutual funds themselves are accessible to investors of varying

income levels.

Disclosure: On purchasing their funds, mutual fund investors receive a prospectus which provides details about a fund's goal, costs and management. Mutual fund companies are also required to produce annual and semi-annual reports to unitholders. Investors can monitor their investments easily and quickly by reading about them in their daily newspapers or by calling their fund company toll-free.

Protection: Mutual fund investors - not the fund managers - own the assets in mutual funds. The assets are held in trust by a custodial institution (usually a bank or trust company), and the fund manager does not have access to them. So, if the fund manager ever experiences financial difficulty, investors' assets are protected.

Mutual funds are ideally suited to many long-term savings and investment purposes - everything from retirement, to financing an education, to a mid-career leave to explore the world.

Mutual funds are sold by prospectus only. The simplified prospectus contains important information which you should read carefully before investing.

This page sponsored by these advertisers.

Never a bad time

You should consider what your marginal tax rate will be when you withdraw your funds.

Tax deduction means it's never a bad time to top up retirement savings plans.

Recent talks of an economic recession south of the border and volatility on the stock markets in 2001 shouldn't deter investors from thinking long-term in their RRSP strategy, even if some equity funds in your portfolio take a beating in the short term.

Someone retiring over the next few years may want to be more conservative, but for most people it's a long-term investment and some people have 25 or 30 years before retirement.

Don't be put off by short-term dips in the markets.

The slowing in Canada's economic growth rate has hit just as RRSP season kicks into high gear - and investment funds managers are expecting a robust season after a strong 2000.

Last year, Canadian mutual fund companies racked up to \$132.68 billion in gross sales, according to the Investment Funds Institute of Canada.

There have been substantial increases in the amount of money that is flowing into mutual funds. People have more time to accumulate assets for investment in the latter part of this very strong economic cycle. Secondly, the recently announced tax

cuts have added to people's confidence.

Investment advisers say the current climate should attract an increase in RRSP contributions this year, with Canadians starting up or topping up retirement funds by March 1 to take advantage of an income tax deduction for 2000.

The contribution limit, as

usual is 18 per cent of earnings up to a maximum of \$13,500, minus private pension adjustments.

It's too good to be true - to be able to put money into something and get a refund from the government, and then turn around and have those assets grow, tax-deferred, the returns on the dollar often reaching 50 cents.

Feeling lucky?



You're not alone. 11% of Canadians plan on winning the lottery to fund part of their retirement!



RETIREMENT COUNSEL OF CANADA
FINANCIAL PLANNING
FOR ALL STAGES OF LIFE

Daniel Varanelli, CGA, CFP
Financial Advisor

273 Queen Street, Acton Ontario L7J 1P8
Telephone: (519) 853-4855



BERKSHIRE
Investment Group Inc.

"Getting Good Advice... Your guide to choosing a Financial Advisor"*

- Confused about how much money you will need to retire?
- Perhaps you are looking for a sound financial plan for the future!
- Or maybe you've received an inheritance and need some guidance on investing part or all of the proceeds.

AS A TRUSTED FINANCIAL ADVISOR, I CAN ASSIST YOU TO SORT THROUGH THE MAZE OF OPTIONS AVAILABLE.

- Getting Good Advice is a 5 step guide on what you need to know when choosing a financial advisor.
- By working with a professional financial advisor, you are taking an important first step towards achieving financial peace of mind.

PLEASE CALL FOR A COPY OF "GETTING GOOD ADVICE" AND DISCOVER THE BENEFITS OF USING A PROFESSIONAL FINANCIAL ADVISOR!

Building a solid financial future... one step at a time!



DEBORAH EATON-KENT, CFA
FINANCIAL ADVISOR

12100 - 6th Line, R.R.#1 Acton, Ontario L7J 2L7

TELEPHONE (519) 853-5017
COGNASHENE (705) 756-8982
FACSIMILE (519) 853-4136
EMAIL deatonkent@berkshire.ca

BERKSHIRE
INVESTMENT GROUP INC.

* Booklet provided and published by Fidelity Investments

YOUR MONEY WILL BLOSSOM

WITH A HALTON CREDIT UNION ESCALATOR TERM DEPOSIT

\$100 MINIMUM

RRSP ELIGIBLE
(OVER \$500)

FULLY REFUNDABLE
ON ANNIVERSARY DATE



HALTON CREDIT UNION

Milton
878-4168

Georgetown
877-6926

Acton
853-0911

www.hcu-online.com

*Entire offer subject to change without notice - Certain conditions may apply - Offer expires March 1, 2001

SPECIAL RATES