

Halton Hills  
WEEKEND

# Money Matters.....

## RRSPs: look for the long term benefits

By Edmund Fry

Some investors only look at the short term tax break that an RRSP can provide. They are usually younger investors who are not yet concerned with their retirement.

The smart investor, on the other hand, also sees the long-term benefits of accumulating assets in a tax-sheltered plan.

Investing in an RRSP over a long period of time makes sense; the longer the money stays sheltered from taxes, the greater the earning power of your investment. How many investments allow you to do that?

Consider what an RRSP can do for you. Suppose you contribute \$1,000 a year to your RRSP for the next 30 years and earn an average 10 per cent compounded annually. In 30 years, you would have accumulated \$165,000. At 12 per cent, your investment would be worth about \$240,000.

Had you invested outside of an RRSP, your nest-egg would be worth much less. Your \$30,000 principal invested at 10 per cent compounded annually would accumulate only about \$79,000. Even if your average rate of return was 12 per cent, you would only accumulate about \$98,000, assuming a tax rate of approximately 40 per cent.

There's a reason for the dramatic difference. Assuming you are in a 40 per cent tax bracket, the \$1,000 you invest each year outside of an RRSP is worth only \$600. Furthermore, your 10 per cent return is in reality only 6 per cent because you are also taxed on the interest.

The RRSP's strength is its compounding effect over a long period of time. Coupled with a high rate of return, a tax-sheltered investment such as an RRSP will play a

major role in guaranteeing an investor has enough savings to support their financial needs during retirement.

When considering an RRSP, the smart investor will seek out a high-yielding investment. While guaranteed, guaranteed investment certificates offer low rates of return.

The best bet lies in equity or growth mutual funds, such as those offered by Trimark Investment Management Inc. They are professional managed, diversified and liquid. While it is almost impossible to predict the performance of equity funds, they have historically performed far better over the long term than more conservative investments.

The chart below demonstrate the value of saving as much as you can at a high rate of return over a long period of time - 30 years.

AC	5 %	10 %	15 %
\$3,500	\$232,536	\$575,729	\$1,521,608
\$7,500	\$498,291	\$1,233,705	\$3,260,589
\$12,500	\$ 830,486	\$2,056,175	\$5,434,314

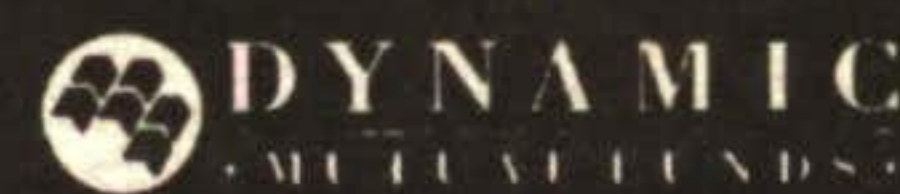
AC is Annual Contribution

Obviously, the sooner you begin investing in an RRSP, the longer and faster your money will grow. Talk to your financial planner or stock broker today to find a fund that meets your financial needs and goals.

Edmund Fry is the president of Edmund Fry & Co. a local financial consultation company



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Returns to December 31, 1994. All performance numbers are historical, annual compounded total returns, including changes in unit value, reinvestment of distributions, and do not take into account any sales, redemptions or optional charges payable by an investor which would have reduced returns. Past performance may be no indication of future returns. Unit value and investment return will fluctuate. Important information about this mutual fund is contained in its simplified prospectus. Obtain a copy from your financial advisor and read it carefully before investing.

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FEBRUARY 8, 1995

7:00 p.m.

The Bank of Nova Scotia, Georgetown Branch  
204 Guelph St., Georgetown, Ontario

### GUEST SPEAKERS

Ron M. Ryan	John P. Bujouves
Personal Investment Manager	Trust Development
The Bank of Nova Scotia	Scotiabank

#### Topics:

- RRSP's: Rules and Opportunities
- Investment Strategies in Uncertain Times
  - RRIF's, LIF's and Annuities
  - Economic Outlook
- Investment Management
- Will and Estate Planning

#### R.S.V.P. to

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