

BUSINESS

Money Matters **Investors Syndicate Limited** A MEMBER COMPANY OF THE INVESTORS GROUP

Tough decisions have to be made about converting RRSP to RRIF

By John Greene

Hamlet's famous soliloquy "To be or not to be" so masterly portrays the agony of choice he faced. In a less dramatic way, those who are holding substantial RRSP portfolios and are within a few years of their 71 birthday will be going through some similar - though hopefully less agonizing - act of choice about the timing of starting their RRIF - Registered Retirement Income Fund. All holders of RRSPs have to convert their RRSPs by the

end of the year in which they turn 71. That is the latest time but conversion can be done prior to that if it is desired and appropriate.

At any time prior to the end of the 71st year, RRSP holders have three courses of action open to them:

1) Simply cash in the RRSPs. To do so in any single year or in that year of their 71st birthday is a disaster from a tax treatment perspective as all the RRSP proceeds are fully taxable. So if you cash in

\$100,000 in RRSPs in 1992, the better part of \$50,000 will be lost to taxes when you file in 1993.

2) You may purchase an annuity. This can have attractions but in a low interest rate climate like the present, it is not a very astute choice.

3) You can invest in a RRIF whereby your basic RRSP investments can stay in the same tax sheltered form of investment but you have to start taking the money out and paying tax on it.

Why is this a more difficult decision than in previous years? The reason is that the rules of how much minimum income per year must be taken out and for how long a RRIF can last are proposed to be amended by this year's February Budget. Essentially, the amendments will allow holders of RRIFs to continue to receive income from the RRIF beyond age 90 - a situation previously not permitted. The price of such perceived longer term gain is some much nearer term pain. RRIF

holders will have to take out more money in the early years of their RRIF and thus pay more taxes. When does this new regime come into force?

RRIFs established after the end of 1992 will all follow the new rules.

So hence to RRIF or not to RRIF?

Clearly, your individual situation needs some professional analysis to decide what is most appropriate for you - bearing in mind your health, family longevity, the possible rate of inflation over the coming years, the types of investments you are using for your RRSPs, your spouse's age and health if you are married, your married, your total financial resources and income needs - especially if you are an active senior who travels and spends more money than your stay at home counterparts. You need to understand the problems of starting some RRIFs now and some in 1993.

All in all, you are making an important decision which will truly affect your financial affairs for the rest of your life. It makes most sense to have some professional advice on your own particular situation from a qualified professional in the financial planning field. You have 5 months to decide which way to jump. Give it some careful thought.

John Green is a Milton resident and an Account Executive with the Investors Group in Oakville. The opinions expressed in this column are of a personal nature and readers are advised that any advice is of a general nature. It should not be acted upon without consultation with a qualified adviser. If you have and questions about your situation with regard to this article or other financial planning issues, you may contact John at either 875-0511 or 842-4630.

Leaf player at local church

Mark Osborne of the Toronto Maple Leafs and his wife Madolyn Smith, a well known movie star, will be visiting Georgetown Alliance Church at 10 a.m. Sunday, August 9.

Mark Osborne will be a guest at the children's summer program called Team Up with Jesus. The program takes place Sunday mornings in August from 10 a.m. to noon for children ages 2-teens.

Mark Osborne will share his story as a professional hockey player and as a Christian at 10 a.m.

The children will also have an opportunity to meet mark and get his autograph. Mark will have a special message to parents at 11 a.m. during the morning service.

Everyone is welcome to come and meet Mark and enjoy all the activities of this exciting program at no charge.

Georgetown Alliance Church is located on Main Street just south of Cedarvale Park.

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