RRSP strategies for the stages in your life

Your RRSP contribution strategy will change as you age. There will be times in your life when it's easier to make a larger contribution. However, whatever stage you're at, it's important to remember to do the best you can.

Mid-20s to early 30s – You're likely just starting your career and marriage. Your monthly expenses may not include large budget items such as a mortgage or children's daycare. Even if your income is not that high and you're saving for a holiday or a new car, this is a good time to start making even a small RRSP contribution each year.

The more you do now, the better of you'll be in the future since your RRSP funds have more time to compound. For example, if you contribute $1,000 each year beginning at age 30 until age 65, and your RRSP earns 6% compounded annually, your RRSP will be worth approximately $126,268 and you'll have made a total of $36,000 in RRSP contributions. If you wait until later to start contributing, you'll have to contribute more for your RRSP to be worth the same. For example, if you started contributing to your RRSP at age 45, you'll have to contribute $2,979 each year (for a total of $62,559) until age 65 in order for your RRSP to be worth about the same had you started contributing $1,000 each year at age 30.

You may find it easier to contribute to your RRSP throughout the year. Not only will you establish good savings habits, you'll also benefit from the extra income. Most financial institutions offer RRSP savings programs which allow you to save regularly, for example each month, even every two weeks. You may find that by breaking up your RRSP contribution in small amounts, you'll save more without compromising your lifestyle.

Mid-30s to early 40s – Whether you're married and raising a family, or have stayed single, chances are you've purchased a home and started to make plans for the future. You may feel you can't afford to contribute to an RRSP, however continuing with an annual RRSP savings program will help you reach a comfortable retirement. For example, if you contribute a total of $35,000 to your RRSP, by contributing $1,000 each year (earning 6% compounded interest), your RRSP would be worth approximately $118,121. If instead, you contributed $5,000 every 5 years (earning 6% compound interest), your RRSP would be worth $104,771, even though you made the same total investment.

If you're married, consider setting up a spousal RRSP for the lower income earning spouse. This could provide for a more equal split of income at retirement, which would reduce taxes paid on retirement income, since two lower incomes pay less than one large one.

Mid-40s to early 50s – As your children get older, your mortgage gets paid down, and your career begins to reach its peak earning years, you may find yourself in better financial shape. So, take advantage, and contribute as much as you can.

This is also a good time to consider a self-directed RRSP which can help you earn a higher return on your portfolio. Just increasing your return by 2% can mean your RRSP is worth significantly more. For example, an annual RRSP contribution of $1,000 at 6% compounded interest will be worth approximately $58,156 n 25 years. The same $1,000 contribution made each year at 8% compounded interest will be worth approximately $78,954 after 25 years.

You may also find that at this point in your life, it's easier to make larger RRSP contributions as routine expenses such as your mortgage are paid off or decreased. You may also find it easier to make RRSP contributions earlier in the year in order and benefit from earlier compounding of interest.

Mid-50s to late 60s – You're probably in your peak earning years, and you may have significant lower living expenses. Now is the time to fine tune your RRSP by making maximum RRSP contributions. You may even want to take advantage of the carry forward rules and contribute more to your RRSP. You should also start considering how you're going to turn your RRSP into retirement income. Start investigating for a comfortable retirement.

– Submitted by Mary Perley of Bank of Montreal, Milton

The Prudential Family of Funds

Rates of Return (as of December 31, 1995*)

Fund Name	1 yr %	3 yr %	5 yr %	10 yr %
Prudential Growth Fund of Canada	26.1	19.2	15.3	10.3
Prudential Income Fund of Canada	21.9	10.5	11.0	9.9
Prudential Dividend Fund of Canada	16.6	17.3	15.4	n/a
Prudential Diversified Fund of Canada	18.3	12.0	12.3	n/a
Prud. Natural Resource Fund of Can.	36.2	33.3	25.4	n/a
Prud. Precious Metals Fund of Can.	18.5	28.0	16.3	n/a

The Prudential American Equity Fund and Global Equity Fund have been existence now for one full year. Here, then, are their rates of return for the one-year period ending January 4, 1996:

Fund Name	1 yr %	3 yr %	5 yr %	10 yr %
Prudential American Equity Fund	47.6	n/a	n/a	n/a
Prudential Global Equity Fund	27.8	n/a	n/a	n/a

Note: These rates of return may only be used for 45 days, or until Feb. 15, 1996.

The indicated rates of return are historical annual compounded returns for the period ended Dec. 29, 1995 (or Jan. 4, 1996 in the case of the Prudential American and Global Equity Funds), including changes in unit value and reinvestment of all distributions but no sales charges. Performance data is provided for illustrative purposes only. Past performance is not necessarily indicative of future performance. Unit values and investment returns will fluctuate.

Important information concerning The Prudential Family of Funds is contained in the Funds' Simplified Prospectus. Obtain a copy from your Prudential representative or from Prudential Fund Management Canada Ltd., Scarborough, Ont., and read it carefully before investing.

– Submitted by The Prudential Fund Management Canada Limited