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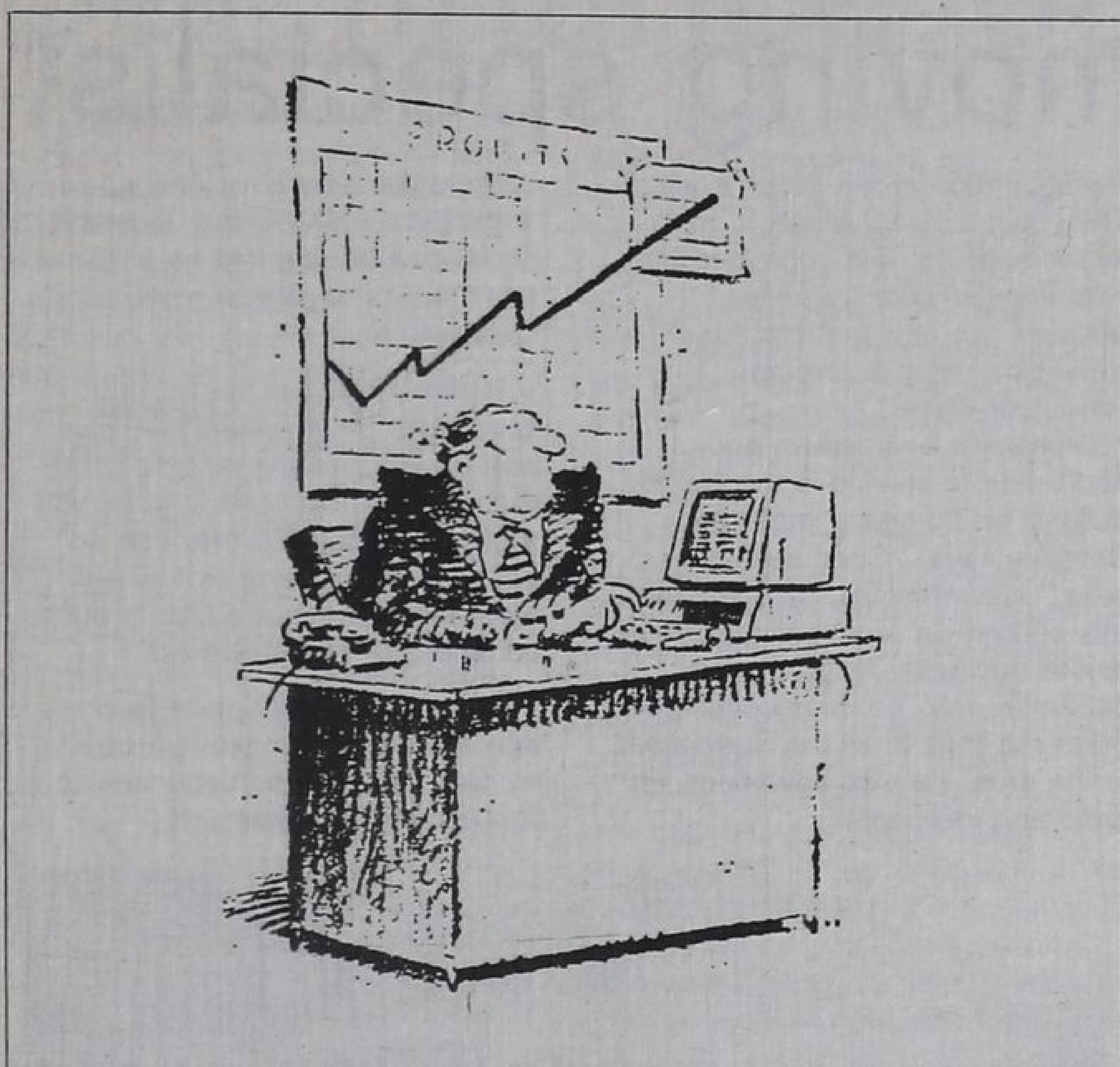

Managing your money: RRIFs

by Harry L. Mardon

Up until fairly recently the Registered Retirement Income Fund (RRIF) had a major disadvantage as a source of retirement income for seniors, when compared with an annuity.

That was the fact the initial maximum annual income limit on a RRIF was low in comparison with annuity payments. Many Canadians were forced to buy an annuity, or a blend of annuity and RRIF, simply to meet income requirements during early years of retirement.

However, that problem no longer exists. A couple of years ago the federal government changed the rules governing RRIFs. It has resulted in the RRIF now providing advantages which significantly outweigh those offered by an annuity.

The following are the major benefits to be gained from investing your accumulated wealth in a RRIF:

- It can provide better tax deferral as the minimum initial payout from the plan is lower than from an annuity.
- It provides a good hedge against inflation, as RRIF payouts increase over the term of the plan - assuming there is no decline in capital value due to market condition or encroachment on capital by drawing income from the plan in excess of its earnings.
- A RRIF holder can retain full control over the capital to age 90 (or the younger spouse reaches age 90).
- It may be based on the age of the younger spouse to increase tax deferral (through an even lower initial payout from the plan) and ensure an annual income flow to his or her age 90, if predeceased by the RRIF holder.
- On the death of a RRIF owner, the surviving spouse may elect to receive a continuation of RRIF payments or receive the lump-sum value of the plan — taxable to the surviving spouse.
- In the event of a financial emergency, the RRIF holder has access to all or part of the funds remaining in the plan — unless the RRIF assets are locked in for a period of time, such as would apply if the money was invested in a time-specific Guaranteed Investment Certificate (GIC).

A RRIF holder may select an appropriate portfolio mix in the plan ranging from GICs to common stocks or mutual funds. The holder also has the advantage of adjusting the portfolio mix in response to changing economic conditions, something generally not available to annuity holders.

Annuity brokers (sellers, in layman's language) often recommend that people should invest their retirement funds into an annuity, as a protection against falling interest rates. But purchase of the annuity locks in a current rate for possibly decades.

The same protection may be achieved by investing a RRIF in bonds. If interest rates fall, the value of the RRIF rises since the bonds increase in capital value. If interest rates rise, however, the RRIF holder may simply shift the capital in the plan to mortgages or GICs, to take advantage of higher income yields.

(Mr. Mardon is Manager of Corporate Communications for Investors Group Inc., the Winnipeg-based financial planning services company.)

Computer training costs

by Hans Held

One of the most important hidden costs when buying a new computer is the cost of training your staff: "how to use it".

Although, at first, it appears to many that you have solved all the workload problems as soon as the machine is turned on - such is usually not the case. In fact, in many cases, the arrival of the machine only marks the occasion of more work to do, because now the employee has to learn how to use the new machine in addition to completing their own work.

This may cause a catastrophe for the employer because they want to gain more "throughput" with the machine, but have not realized that initially, it is only complicating the employee's day, and the computer is then left to sit in a corner - seldom used. I've heard comments like: "I thought I just had to turn it on" or "It's too hard to figure out, and I can't just learn it from books."

The best way to approach the question of training due to automation is first of all, to budget for 15 per cent up to 30 per cent (depending on the complexity of your application) funding of your total computer system - just for education and training.

If at first this seems like a lot, consider the magnitude of the loss in work which can be attributed to a "self-taught" method. Your employee spending hours, and even weeks, trying to "figure it out" when a good training course could have cost half as much and saved twice the amount of time spent. Now the cost of training seems much less severe.

Costs of training may be offset by your firm's participation in the "Ontario Training Strategy". Your involvement in the strategy can qualify your firm for up to 80 per cent of the total cost of a training program.

To qualify for assistance, your company must be registered with the "Ontario Skills Development Office" (telephone 705-722-1525).

Upon registration with O.S.D.O. your company will be consulted, and a plan for training devised for most every type of training from computer related activities to management skills development.

We have been actively participating in the O.S.D.O. program and feel it is of great benefit to the community.

Please contact: Hans Held at (705) 526-3453 for further information, or contact the Ontario Skills Development Office at: (705) 722-1525.

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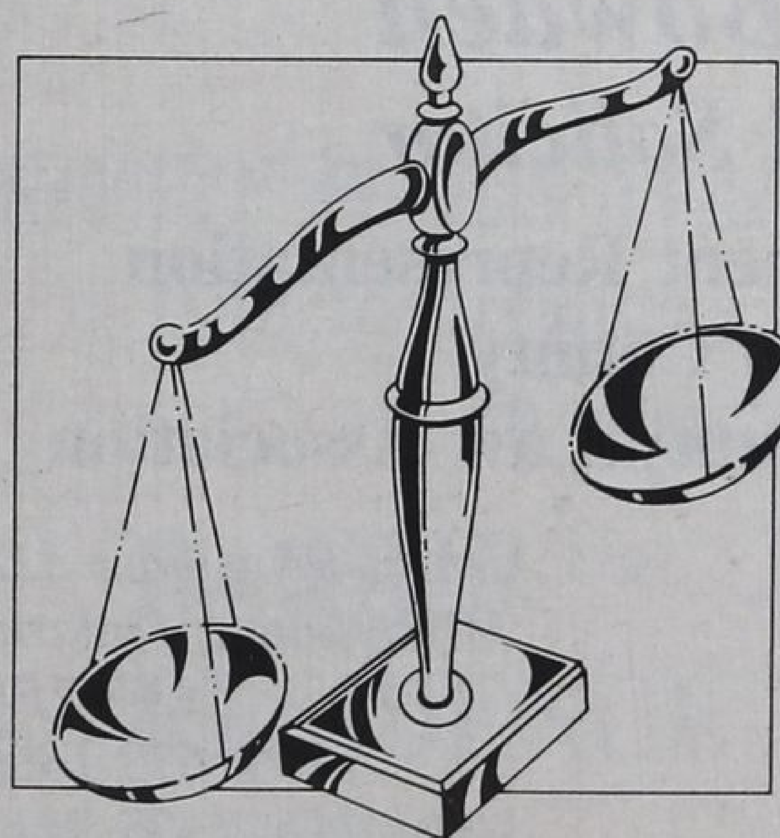

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