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# Money Matters: Finances, Taxes & Insurance



## The big budget question: Your mortgage or your RRSP?

(NC)—Most Canadians are saddled with a mortgage while they try to save for retirement.

Which should take priority?

Concentrating on paying down a mortgage may be the best route for one person, while focusing on an RRSP may benefit another. With the help of a financial professional, you can decide which is most important for you.

To try to get the best of both worlds, you may want to maximize your annual RRSP contribution, then use your resulting tax refund to pay down the mortgage.

Here are a few key factors to consider when making your decision:

• **Your age.** The younger you are, the more priority should usually be given to your RRSP. If you are less than 15 or 20 years from retirement, consider reducing your mortgage. Once the mortgage is paid off, redirect as much of that money as you can into your RSP.

• **Your tax rate.** If you are in a high tax bracket, RRSPs may be a great tax-saving strategy. Unless you plan to move up to a more costly home, you should consider maximizing your RRSP contributions and using any excess cash to pay down your mortgage.

• **Your mortgage rate.** If your current mortgage rate is low, it may make more sense to invest in an RRSP, where you may be able to generate a higher rate of return. However, if your mortgage is locked in at a high rate for the next several years, paying it down may save you more in interest than you could generate on an after-tax basis from investments within your RRSP.

• **Your general financial health.** If you're worried about access to cash in the future because your job may be in jeopardy or because of health worries, it may be wise to contribute to an RRSP. The money contributed into an RRSP is generally more accessible in an emergency than home equity.

• **Your pension plan.** If you have a generous workplace pension plan, you may be able to concentrate more on your mortgage than your RRSP.

For financial planning and investment information visit http://www.investorsgroup.com.

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## Canadians set to overpay the government this tax season

**By Todd McCallum**

(NC)—A recent poll by Environics Research Group shows Canadians may not be claiming all the credits they are entitled to on their tax return.

According to the survey, more than 50 per cent of Canadians said they did not know of the new tax credits for 2006. Only the GST cut on July 1st and the Universal Child Care Benefit registered significant awareness.

"The new federal budget introduced a number of new tax credits and breaks that should make a difference on most Canadian 2006 tax returns," says Cleo Hamel, senior tax analyst, H&R Block (hrblock.ca).

"More than 80 per cent of the full-time employed Canadians polled said they were not going to claim the Canada Employment Credit even though every Canadian who was employed at some point during 2006 is entitled to it. It means more than 11 million Canadians will be missing an easy deduction."

Some of the new tax credits or breaks available for 2006 include:

• Canada Employment Credit: Designed to offset some of the costs of having a job. If you were employed in 2006, you qualify for the non-refundable tax credit up to a maximum of $250.

• Transit Pass Tax Credit: A non-refundable credit available as of July 1, 2006. Only passes of a month or longer are eligible. You can claim passes for you, your spouse or common-law partner and any dependent children.

• Seniors tax break: Age amount increased by $1,000 and it is retroactive to January 1, 2006. Maximum pension income amount also increased by $1,000.

• Textbook Tax Credit: Qualifying full-time students are allowed $65 a month; qualifying part-time students eligible for $20 a month.

"It is important to understand the credits and deductions you are entitled to claim," explains Hamel. "No one wants to pay the government more money in taxes than they should."

More information is available online or toll-free at 1-800-HRBLOCK.