

MONEY MATTERS: FINANCES TAXES & INSURANCE

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Time to top up your retirement savings?

\$406 billion in available contribution room went unused in 2005

(NC) — In 2005, Canadians contributed a total \$30.6 billion to their Registered Retirement Savings Plans (RRSPs) — the highest total contribution ever. Yet despite last year's record, \$406 billion in available contribution room went unused, according to Statistics Canada. As the March 1 deadline for 2006 RRSP contribu-

tions approaches, it is time for Canadians to revisit their savings strategies to make the most of this tax-sheltered investment.

"It is great to see that people are investing in their retirement, but this figure only represents about seven per cent of the overall room available to eligible tax filers," says John Bennett, Executive

Vice President at AGF Trust.

A tax filer's 2006 RSP contribution limit is 18 per cent of their previous year's "Earned Income" — to a maximum of \$18,000, plus any unused contributions carried forward from previous years. This can add up quickly and investors can find themselves a long way from maximizing their RSP contributions.

"There are solutions for Canadians to help top-up their contributions, even if they don't have the cash to do so before the 2006 contribution deadline," Bennett explains. "Borrowing to invest in an RRSP can be an effective strategy to reach long-term financial goals sooner and the tax refund can be used to pay down the loan or other high interest debt."

Bennett suggests investors answer the following questions when considering an RSP loan:

1. Am I comfortable borrowing money to finance an investment?
2. Should I take out a loan to invest in my RSP or pay down debt such as a student loan or mortgage?
3. Do I have the cash flow to repay the loan without affecting my lifestyle?
4. Is my income tax rate high enough to make reducing my taxable income with an RSP loan a priority?

Every investor has a unique financial situation with different factors to consider. To find out if an RSP loan is the right strategy for you, consult a financial advisor.

Claw Back of Old Age Security

If you're a senior citizen and your 2006 net income exceeds \$62,144, you will lose all or part of your Old Age Security (OAS). You will also begin to lose your income tax age credit at the federal level if your net income exceeds \$30,270. For Ontario, the amount is \$30,448.

Chartered Accountant Jeff Nightingale, Partner, Lipton Wiseman Altbaum & Partners LLP in Toronto, says there are strategies available to keep some of this money. "With careful plan-

ning, you may not have to hand over this money to the government. If you are facing these financial issues, you should sit down with your Chartered Accountant to discuss the options available that will allow you to continue to benefit from your OAS and wisely manage your 2006 personal income."

For further information about taxes, contact a Chartered Accountant.

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