

# Financial

## Helping youngsters with RRSPs yields dividends

by Brian Costello

It's registered retirement savings plan time and you're wondering whether you should contribute to an RRSP for your son or daughter.

In some cases the answer is yes, but in others you won't make any friends at Revenue Canada. Here's the rationale. If your child makes enough money that he or she could save taxes by contributing to an RRSP but doesn't have the money, you can make them a fortune by giving them enough money to contribute to an RRSP.

They benefit immediately by getting a tax deduction. In the long run though, they really enjoy benefits as they prosper from long term tax free compounding. So, yes, if a son or daughter doesn't have enough money it's a good idea to help them out.

Remember also, that now that homebuyers can use up to \$20,000 of their RRSP's to buy a house, your children may enjoy a tax deduction now plus be able to remove the money tax free to help with the purchase of a house. Then when they pay it back, they will still get the long term compounding that normal-

ly goes with an RRSP.

It is advantageous though, if you are going to go to the trouble of giving them this money that you also make sure it is not going to be removed for any old reason. This idea could pay off

in the millions at retirement so it's better to keep the money in there for a long time.

If you were thinking of contributing money to a very young child's RRSP you should think twice. Sure, there are some

youngsters who make money from paper routes, commercials, endorsements, etc... But, few would make enough money to be taxable and thus qualify for an RRSP. To simply challenge Revenue Canada and contribute

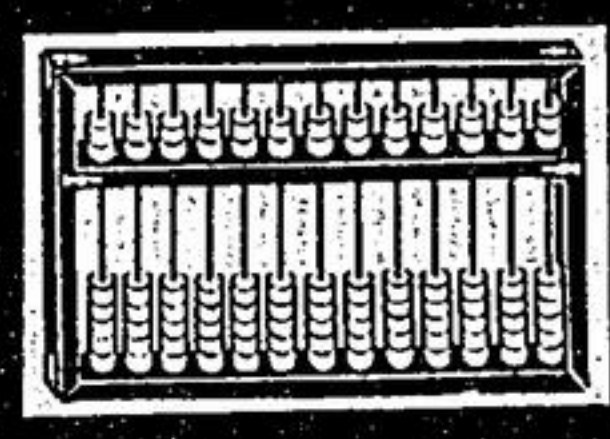
money to a minor's RRSP as an over contribution would not be looked on kindly. If, however, you can justify that your child is entitled to an RRSP it would be a great idea to get some money into a plan.

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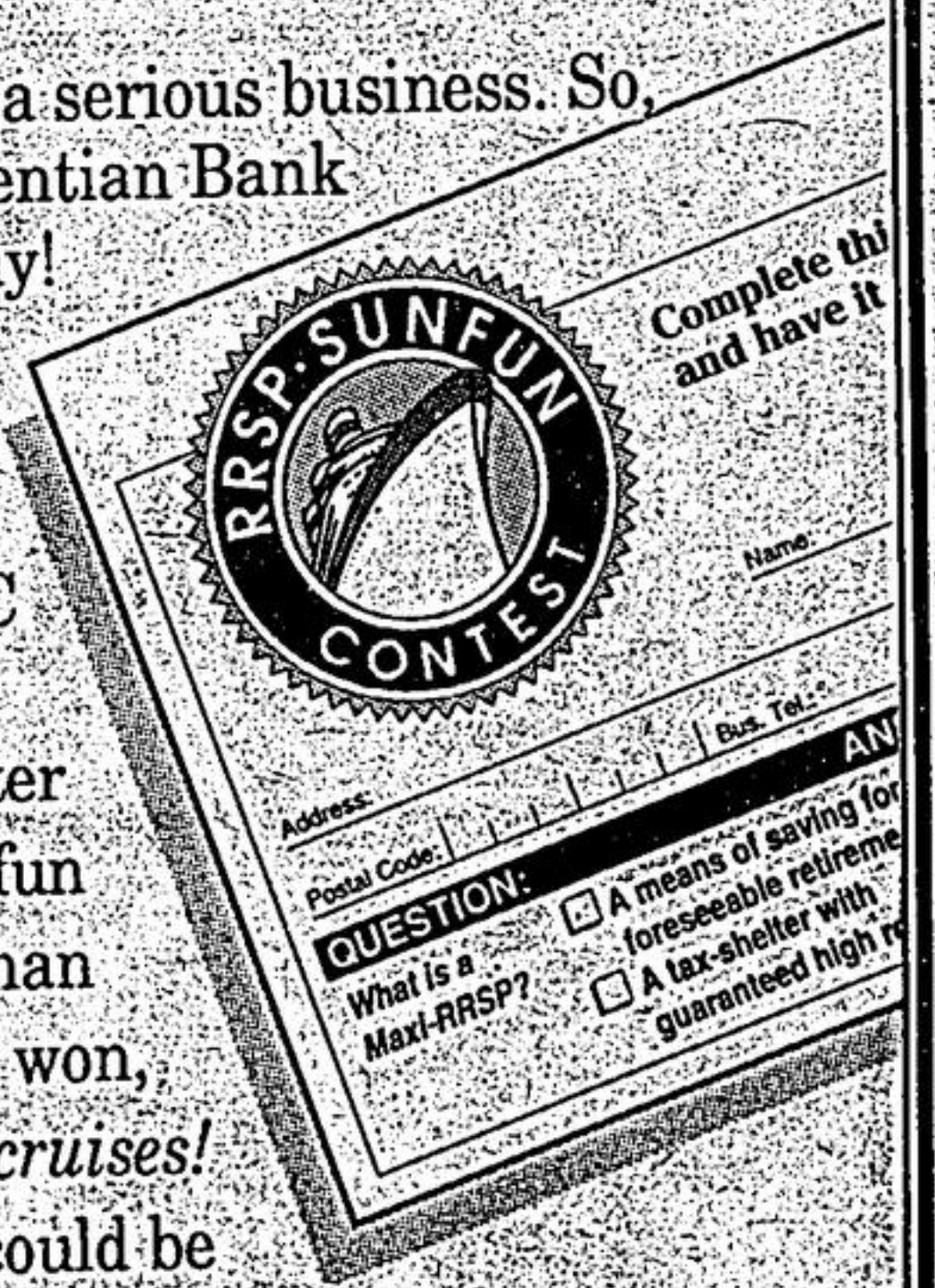
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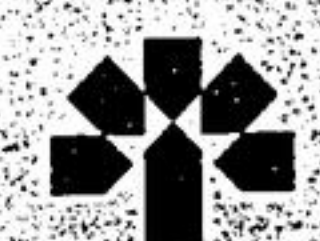
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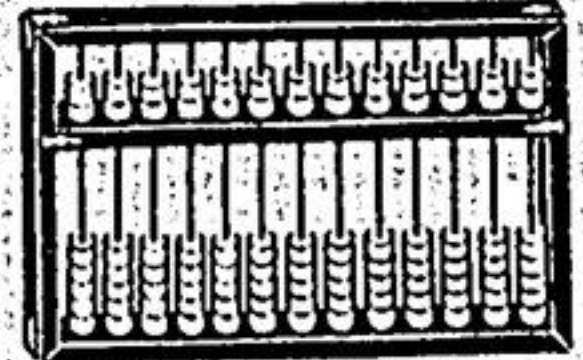
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