It's Your Future ... Invest In It

Continued from page 10

Spousal RRSPs are one of the last simple income-splitting opportunities available for couples, either legally married or living common-law.

The purpose is to try to balance incomes when the money is going to be withdrawn from the RRSP, so the couple as a whole pays less tax. Two $30,000 incomes are taxed much less than one income of $60,000.

Stevens uses this example to illustrate: Consider Sue, a self-employed computer consultant who earned $100,000 in her first year, who is married to Tom, a teacher who makes $50,000 a year. Who, if either of these two should contribute to a spousal RRSP? Stevens says most people think that Sue with the higher income should. But what retirement income does self-employed Sue have? None. While the teacher has a lower current income, he has a much higher retirement income because of a good, indexed pension.

> "The critical point is to use a spousal RRSP to try to balance retirement." **Talbot Stevens, financial educator, speaker and author of Financial Freedom Without Sacrifice.**

"The critical point is to use a spousal RRSP to try to balance retirement income from all sources," explains Stevens.

"In this example, about 80 per cent of Canadians make the wrong spousal RRSP decision, which actually increases Tom's retirement income, making the problem worse."

It may be necessary to get help of a financial advisor to estimate your retirement income from all sources. However, it is critical to get it right the first time because, once it's done, you can't change it.

Since most couples don't have perfectly balanced retirement incomes, almost every couple should use a spousal RRSP to properly balance Retirement incomes to reduce their tax due then.

"The correct spousal RRSP decision won't make any difference in your tax refund now," says Stevens.

"But it will make a huge difference in the amount of tax you pay at retirement."