

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The purpose is to try to balance incomes when the money is going to be withdrawn from the RRSP, so the couple as a whole pays less tax.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,

"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.

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 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."

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INVESTMENT INSIGHT

Q: Is it true that if I contribute \$5,000 to my RRSP, I will receive \$2,500 back in tax savings.

B. Norman Thornhill

A: The amount of tax savings your contribution is worth depends on your marginal tax rate. The rates are approximately 27% on income up to \$29,590, 41% on income from \$29,590 to \$59,180, and 50% on income over \$59,180. If your taxable income stays over \$59,180 even after making your \$5,000 RRSP contribution then yes you will save \$2,500 in tax.

You can fax your questions to Investment Insight at 294-8880 or call Dan Galszeczy or John Niekraszewicz of Fortune Financial Corp. Markham, 294-1200.

EDUCATION INVESTMENT WORKSHOP



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Topics covered include:

- RRSP strategies for GenXers, Boomers & Seniors
- How to turn your real estate into a retirement fund
- The top 15 winning retirement strategies
- How to find an advisor you can trust
- What happens if they tax RRSPs?

Sunday, February 2, 1997 @ 1:30 p.m.

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Seating is limited - call today to confirm your attendance

1-888-215-PLAN (24 hours)