

**BUSINESS AND FINANCE**

# Not a wise idea to use RRSPs for a down payment

Like many young Canadians, Steve Lee's priority over the last seven years has been his career.

He's now a manager at a computer software company, lives in a nice apartment and spends most of his extra income on social activities. Until now he hasn't

given much thought to planning for financial security.

But Lee is about to enter a new life stage — he's getting married and intends to start saving for a house and children. Suddenly financial planning has become a priority. He's what industry insiders call an early

investor.

"They generally have less experience in investment decisions and little time to spend thinking about it," observed Debbie Ammeter, vice-president of advanced financial planning support at Investors Group, one of Canada's leading personal

financial services companies.

If you're under 40 years old and just getting started on an investment path, there are six main areas you should concentrate on, advised Debbie.

### Managing debts and expenses

You may need to pay off student loans or credit card bills. As a general rule, pay off your most costly debts first — those with the highest non-tax deductible interest rates.

It's also a good idea to put away an amount of money each month to cover unexpected expenses; this way you'll avoid using the more costly credit card option.

If you invest this emergency reserve in a money market mutual fund, for example, you'll still have easy access to your money, should you need it, and it will likely earn a better return.

Financing major purchases. Saving for a car or a home is a typical concern of people under 40.

It's not always a good option to use your RRSPs for a down payment on a home. Taking out a larger mortgage may be a wise strategy. A financial advisor can work with you to explore the best options to fit your personal situation.

### Establishing an investment plan

It's important to establish a plan that is customized for your goals, your time horizon and the level of risk that's appropriate for you.

Once you've defined those basics of the plan, you can select a mix of investments that reflect your personal circumstances. The key is to develop an investment plan that takes into account strategies and returns over the long term.

### Minimizing tax

Are you using all the deductions available to you? One of the best ways to minimize tax is through RRSPs. Make your RRSP contribution as early in the year as possible and contribute the maximum to get the best tax break. You may even consider taking out a short-term loan for your annual RRSP contribution.

### Contingency planning

Wills and powers of attorney are important elements in your financial plan.

You should also examine insurance needs, such as protection against loss of income or disability.

### Setting long-term goals

There are many factors to consider. Is it better to pay down a mortgage or contribute more to an RRSP? What are the best options for saving for a child's education? How do you maximize your retirement planning? A financial advisor can help you make the right long-term investment decisions by evaluating your needs.

Article submitted by Tim Whelan of the Investors Group

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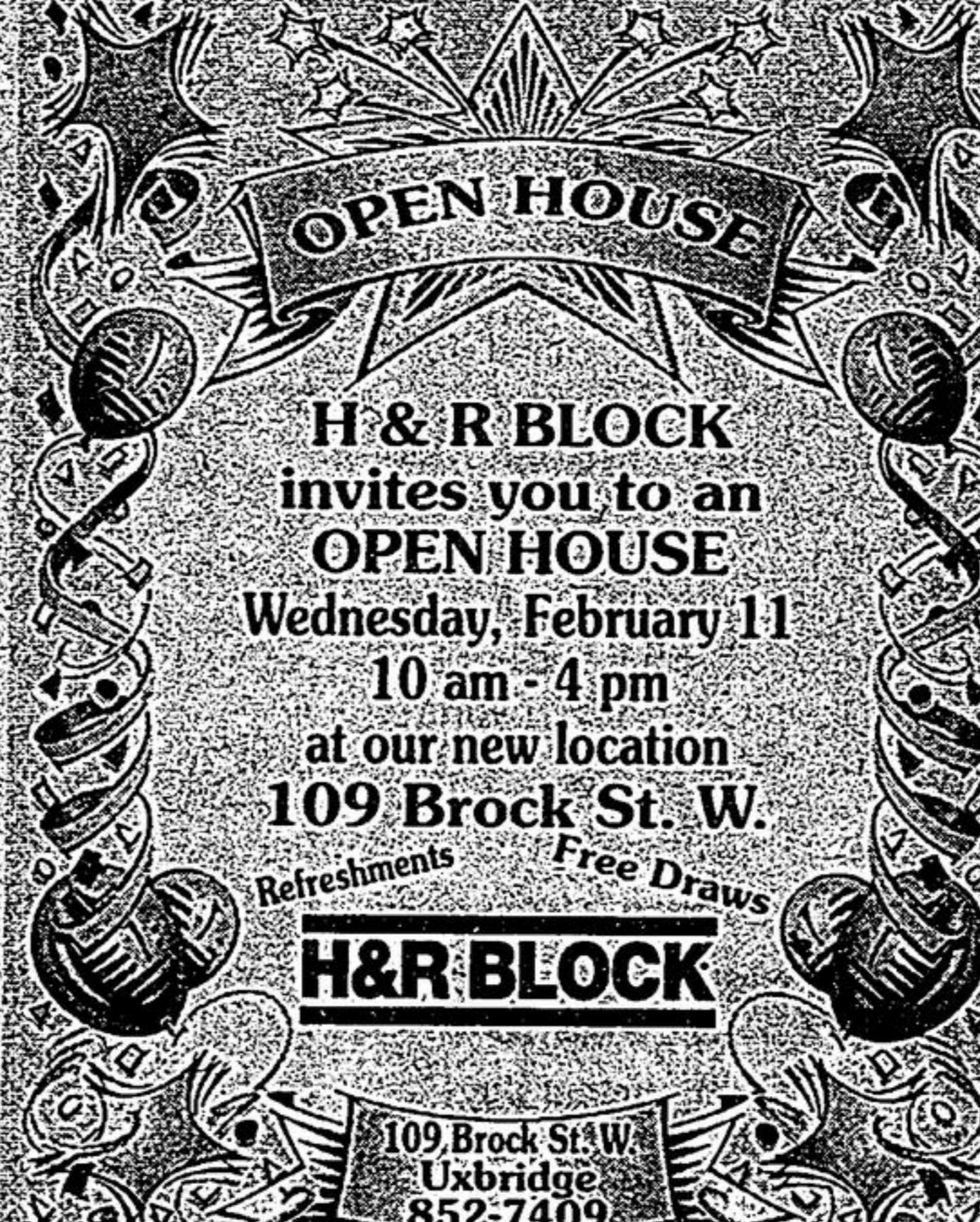
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