

Achieve Your After-Work Dreams with a Registered Savings Plan (RSP)

Spend your retirement doing anything you want.

You want the freedom to make your own choices in retirement. Even if you don't know exactly how you'll be spending that time, you want to know you'll have the freedom to do whatever you like. Whether you dream of hiking in the Rockies, putting around your garden or spending more time with family, contributing to an RSP can help you realize your dreams.

Contributing regularly to an RSP will give you freedom in retirement

By contributing regularly to an RSP, not only will you be reducing your taxes, you'll be making sure you're preparing financially for the best years of your life.

An RSP is the easiest way to save for your retirement. Established in 1957, retirement savings plans (RSPs) are designed to encourage working Canadians to achieve financial security after their working years, regardless of what government funds may be available. An RSP helps you do this.

Think of an RSP as your own personal pension plan.

You can hold a variety of investments within your RSP, including mutual funds. And, there are tax advantages to contributing (see table below). However, there are also tax consequences for withdrawing money from the plan before you turn 69. Government rules regarding RSPs are designed to encourage you to continue saving for retirement throughout your life. You can open as many RSPs as you want, but there are restrictions as to how much you can contribute to your plan(s) each year.

Here's how an RSP allows you to reduce your taxes. Say for example your marginal tax rate is 32%. A \$3,000 contribution will reduce your taxes by \$960.

Below are examples of how this works in all income brackets:

Marginal Tax Rate	32%	43%	50%	
Contribution	\$3,000	\$3,000	\$3,000	\$3,000
Reduce Your Taxes By ...	\$ 960	\$1,290	\$1,500	

Marginal tax rates are used for illustrative purposes only

Source: AGF Funds Inc.

If you sometimes find it hard to budget, you'll find that contributing a fixed amount on a monthly basis is easier than scrambling to find a lump sum to put in at the end of RSP season. All you need to do is divide your maximum contribution limit by 12 and set up a pre-authorized chequing RSP account.

Monthly contributions get more money working for you faster than contributions made at the end of the year. Research has shown that, over a five-year period, a disciplined monthly investment plan is more effective than an annual \$5,000 year-end contribution. While the same amount is invested over five years, the monthly investing strategy ends up being worth more, because your money is working for you throughout the year. (Source: AGF Funds Inc. Research was based on the growth of a \$417 monthly investment against an annual \$5000 end-of-year investment in the MSCI World (\$US) Index for the five years ending December 2000)

Imagine yourself in your retirement years, feeling confident you can afford to make your own choices. You'll be glad you contributed to an RSP.

Source: AGF Funds Inc.