Your RRSP,
Your Future, and You...

When it comes to saving, there is no better choice

Each year when "RRSP SEASON" is upon us again, many Canadians who haven't started a Registered Retirement Savings Plan, or RRSP consider the benefits of setting one up. Those who already have an existing RRSP take the time to decide how much they can contribute to their plans and what types of investments will suit their needs. The start of a new year is not the only time you should concern yourself with your retirement plan.

LET'S START WITH THE BASICS...
For those new to the world of retirement planning, RRSPs are tax-sheltered retirement savings plans, registered with the federal government. All Canadians who earned an income* in the previous year from a Canadian employer are eligible to open and contribute to an RRSP. To qualify for an RRSP tax deduction in a specific year, you can make contributions anytime during the year, or up to 60 days into the following year. The deadline for contributing to your RRSP for the 2009 tax year is March 1, 2010.

Your annual RRSP contribution limit is 18% of your annual earned income from the previous year, up to a maximum of $21,000 for 2009. This amount can increase, depending on whether or not you have any RRSP "carry forward" room from previous years. Your limit also depends on whether or not you were a member of a registered pension plan or a deferred profit sharing plan in the previous year.

An RRSP is a great idea for any income-earning Canadian for a number of reasons, including the fact that planning for the future is essential. It's important to think of your RRSP as a personal savings plan first and foremost. For many Canadians, an RRSP is their primary vehicle for saving money. And by making regular RRSP contributions, you can build substantial savings, without having to make a large, lump sum annual purchase.

RRSP contributions are tax deductible in the contribution year and monetary growth (i.e. interest earned, capital growth and dividends from stocks or equity mutual funds) that occurs within your RRSP is tax deferred. This means growth is not taxed until the money is withdrawn.

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Please see overleaf for more retirement planning considerations to secure your financial future...

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ALMOST UNLIMITED INVESTMENT OPTIONS
Until the federal budget of 2005, one of the few restrictions on the type of investments allowable in your RRSP was that you could only invest up to 30% of your RRSP contributions in what are deemed to be foreign investments. This restriction has been removed, so that Canadian investors can diversify geographically without worrying about exceeding foreign content guidelines.

You can hold virtually any type of investment in your RRSP. For very conservative investors, a large cash position is completely feasible. Investors can also invest in income-generating investments like bond funds or income-oriented portfolios. For longer-term investors, individual stocks and equity mutual funds are also available.

MUTUAL FUNDS AS RRSP INVESTMENTS
Mutual funds, which offer a wide range of investment options, have become popular over the years because many investors like the idea of having a professional investment manager to manage part or all of their portfolios. It would be far more expensive and time consuming to personally balance and rebalance a portfolio of individual stocks and bonds. Mutual fund managers can offer this service because of the large number of investors pooling assets in these funds, helping to bring down the cost of the service. Mutual funds also offer a level of diversification that would be hard to accomplish for most individual investors.

SPEAK TO AN INVESTMENT ADVISOR
Just because you are able to select any investment for your RRSP doesn't mean that selections should be made haphazardly. Before making any investment decisions in your RRSP, consider speaking with an investment advisor at Ostic Financial Group, who can help you construct a portfolio that is well suited to your investment needs based on your level of risk tolerance and your investment time horizon.

THE MERITS OF 'DOLLAR COST AVERAGING'
For investors concerned about making a large, one-time lump sum purchase during RRSP season because of the large monetary commitment and the risk of buying investments when prices are high, "dollar cost averaging" through a pre-authorized purchase plan may be a good option to consider.

Dollar cost averaging is an ideal way to "average out" your investment costs by investing at regular intervals throughout the year. This can reduce the risk of having to make a lump sum purchase when investments are most expensive. It's often easier to find $100 to invest each month, for example than to have to come up with $1200 at the end of the year. Many investment companies offer pre-authorized purchase plans for their investment solutions, making it much easier for everyone to take advantage of dollar cost averaging and to save for the future.

**Earned income is defined by the Canada Revenue Agency for RRSP purposes to include salary or wages, rental income, alimony received, net business income, and disability benefits paid by either the Canada or Quebec Pension Plan.*

DIFFERENT MARKETS, DIFFERENT VALUE FOR YOUR MONEY: HOW DOLLAR COST AVERAGING CAN HELP

Investing $500 each month in a falling market

Month	Price per Share	Shares Bought
1	$15	33.33
2	$12	41.67
3	$10	50.00
4	$8	62.50
5	$6	83.33

Investing $500 each month in a rising market

Month	Price per Share	Shares Bought
1	$8	62.50
2	$10	50.00
3	$12	41.67
4	$15	33.33
5	$16	31.25

The above table illustrates that the same amount of money invested each month can give you a vastly different number of shares. Dollar cost averaging can help you reduce the risk of paying a premium for shares by making multiple purchases over time instead of making a single lump sum purchase and running the risk of buying shares at their most expensive price and therefore receiving fewer shares for your money.

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