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JANUARY/FEBRUARY 1987 R.R.S.P. ISSUE

Registered Retirement Savings Plans & Your Retirement

The 1986 deadline for R.R.S.P. contributions is March 02, 1987. Are you a last minute purchaser? Will you get what you paid for? Have you made your 1987 contribution?

This issue of the Financial Services Group Newsletter deals with these questions and gives you an opportunity to realize how your current planning will affect your future.

Now is the time to plan for 1987.

Specifically we will look at:

1. The longer you wait — the more it will cost you.
2. The tax deferral advantage of an R.R.S.P.
3. The high cost of not contributing to your R.R.S.P.
4. Re-invest your tax refund from your R.R.S.P. contribution.
5. Getting started.
6. Mutual Funds — R.R.S.P.'s or an additional investment.

1. The Longer You Wait — The More It Will Cost You

Let's look at two examples.

If you invest $1,000 per year for the next six years, your savings will accumulate as shown (at 10% compound interest).

After Year	Annual Deposit*	Accumulated Value
1	1,000	1,100
2	1,000	2,310
3	1,000	3,641
4	1,000	5,105
5	1,000	6,716
6	1,000	8,487
7		9,336
8		10,269
9		11,296
10		12,426
11		13,669
12		15,036
13		16,539
14		18,193
15		20,012
16		22,014
17		24,215
18		26,636
19		29,300
20		32,230
21		35,453

Total Deposit — $6,000

If you wait six years and then start investing $1,000 each year thereafter, your savings will accumulate as shown (at 10% compound interest).

After Year	Annual Deposit*	Accumulated Value
1		
2		
3		
4		
5		
6		
7	1,000	1,100
8	1,000	2,310
9	1,000	3,641
10	1,000	5,105
11	1,000	6,716
12	1,000	8,487
13	1,000	10,436
14	1,000	12,579
15	1,000	14,937
16	1,000	17,531
17	1,000	20,384
18	1,000	23,523
19	1,000	26,975
20	1,000	30,772
21	1,000	34,950

Total Deposit — $15,000

**Deposited at the beginning of each year.*

If you wait to start saving, it will take you 15 years and $9,000 to catch up.

NEWSLETTER

2. The Tax Deferral advantage of an RRSP

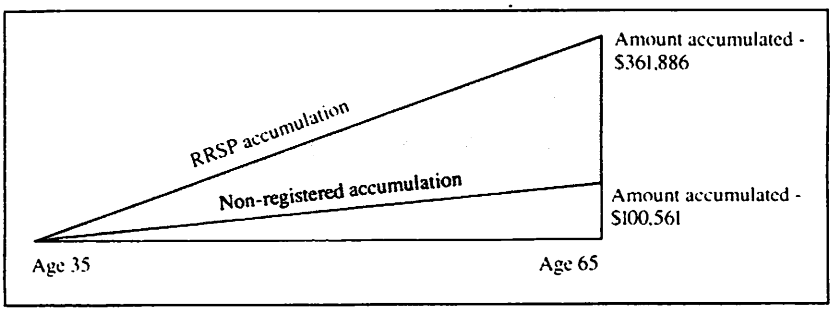
Getting a reduction in your taxes is just one side of the registered retirement savings story. Having your savings working hard for you is the other. Sure, you can get a good rate of return on a non-registered savings plan or an investment. But with an RRSP, your investment earnings are tax-free for the duration of your plan.

And since your tax-free earnings are *reinvested*, your savings really grow. This is because you are using before-tax dollars. The illustration to the right shows how this helps your money grow.

Suppose you're 35 years of age and want to contribute $2,000 a year in an investment to age 65. Your taxable income puts you in approximately a 40% tax bracket. Therefore, you will end up paying the federal and provincial governments 40% on the $2,000 you wanted to save if you invest your money in a non-registered product. Let's assume you have already used up the allowable $1,000 of tax-free interest available each year.

Can you afford not to earn an extra $261,325 for your retirement?

	Registered	Non-Registered
Amount to invest	$ 2,000	$ 2,000
Net investment after-tax	$ 2,000	$ 1,200
Number of years to retirement	30	30
Interest rate	10%	10%
Actual compounded rate assuming 40% tax bracket	10%	6%
Amount accumulated at age 65	$361,886	$100,561



RRSP accumulation is taxed as it is taken into income subject to certain minimums. Non-registered accumulation is net after tax.

3. The high cost of *not* contributing to your RRSP

"I'll do it next year." That is a common rationalization for many things we know we should do, but never seem to get around to doing. And what harm is there in that?

In terms of your retirement plans, that procrastination could be very costly. Every year that you delay in making a contribution to an RRSP will substantially reduce the income available when you decide to retire.

The following chart shows the effect of a one-year delay: (assumed interest rate of 10%)

Your age this year	Capital contributed ($1000/year until retirement at 65)	Accumulated value at age 65 of the annual $1000 deposits	Accumulated value of annual $1000 starting one year late	Cost of 1-year delay
25	$40,000	$486,852	$441,593	$45,259
35	30,000	180,943	163,494	16,449
45	20,000	63,003	56,275	6,728
55	10,000	17,531	14,937	2,594
60	5,000	6,716	5,105	1,611

It is apparent that delaying the start of your RRSP or missing a year's contribution is very costly. And it's worth noting that the amounts gained are increased substantially when:

- you deposit more than $1000 annually;
- you retire later than the assumed age of 65; and
- the actual yield on your plan is more than the 10% compounded annually used in the illustration.

Time *is* money with an RRSP. The sooner you start making contributions, the more money you'll accumulate for your retirement.

4. Re-invest your tax refund from your RRSP contribution
It Makes a Big Difference . . .

If you regularly contribute $1,000 per year to your RRSP, you can expect to receive a $300* tax saving. Whether you spend it, or reinvest it in your RRSP, it can make a big difference to the amount in your savings plan when you retire.

Here are the facts:

Deposits of $1,000 per year beginning at age 30**

Age	Accumulation
35	6,716
40	17,531
45	34,950
50	63,003
55	108,182
60	180,943
65	298,127

Deposits of $1,000 per year beginning at age 30 PLUS tax refund deposited on July 1 each year.**

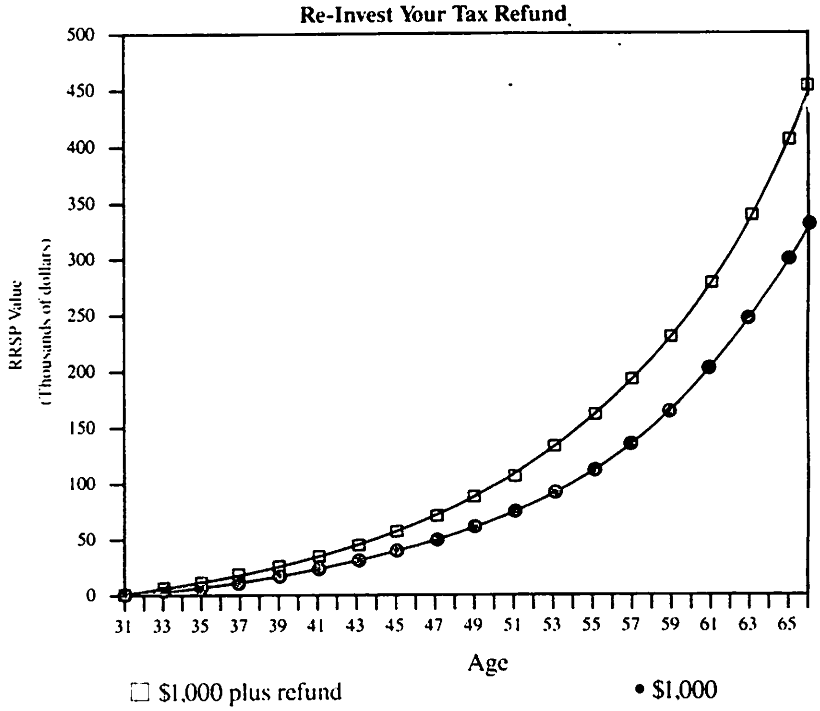
Age	Accumulation
35	9,188
40	24,256
45	48,523
50	87,606
55	150,549
60	251,919
65	415,178

The difference at age 65 is $117,051!

**Assuming a 30% tax bracket*
***Deposits made at the beginning of the year*

The Big Difference

Re-Invest Your Tax Refund



MAKE THE DIFFERENCE – DEPOSIT YOUR REFUND

5. Getting Started

Retirement income planning specialists at Financial Services Group can assist you by comparing your retirement income sources against your anticipated needs. We then recommend and arrange appropriate RRIF, annuity, investment funds or other financial products that best meet *your* special requirements.

Our research staff monitors the RRSP and savings account markets with the help of on-line computer technology so that you can receive the most competitive products.

We look forward to assisting you in meeting your retirement income objectives.

For more complete information about these articles or services call:
Financial Services Group at (403) 432-1409
Gary P. Kwasnecha, Rick Knight, Myrna Kwasnecha, Kelly Casebeer

6. Mutual Funds

Mutual funds are experiencing great popularity among investors and media alike. They may be purchased as an RRSP or simply as an additional investment.

In the first nine months of 1985, sales were up an impressive 80.5% over the same months in 1984, to a record 2.87 billion dollars. Sales in the first six months of 1986 had already surpassed 1985 sales.

A Mutual Fund, or Investment Fund, is a financial organization through which individuals may invest their money. The fund company pools the investments of thousands of investors, to reinforce the principle of "better investment through collective investment".

The main advantages of a mutual fund are:

A) Professional Management: fund managers are experienced full time professionals.

B) Diversification: involves spreading investments among many securities to reduce risk.

C) Liquidity: the fund will redeem shares at any time, usually within 2 - 3 days of receiving notice.

D) Compounding: the fund reinvests dividends automatically, to greatly enhance return on investment.

Types of funds available:

A) Equity or Growth Funds: invest in common stocks to provide capital growth with satisfactory income.

B) Fixed Income Funds: invest in bonds and/or mortgages, debentures, to offer a high degree of price stability.

C) Specialty Funds: invest in one geographical area or one type of industry and are definitely higher risk. ie: Japan Funds, Real Estate Funds, Gold Funds.

D) Money Market Funds: invest in short term commercial paper, ie: T-Bills. Interest is paid daily and compounded weekly. This fund is liquid on demand!

1% more than Banks

E) Dividend Funds: invest in Blue Chip Stocks and Preferred Shares, which pay regular dividends.

Why this sudden swing to mutual funds?

Falling interest rates, rising stock markets, favorable tax treatment of dividends, enhanced capital gains exemption and most important, the safety of diversification combined with the possibility of future growth and gains.

Before investing into a fund one should have a financial plan which will include your investment objectives. The funds objectives should coincide with your objectives.

Our office has numerous articles and reference materials that we would be happy to send to you with no obligation.

Prepared by Myrna Kwasnecha.