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with kelly keehn

coin

plans pay off

The financial industry has done an exceptional job educating the public about RRSPs and saving for retirement. But should everyone buy an RRSP? And what questions should you ask before investing your hard-earned dollars?

Question No. 1: Do you have an emergency account?

There are a number of situations where an investor should consider non-registered savings as opposed to this popular shelter. It's true RRSPs have become much more flexible in recent years. The Canadian government allows investors to use their funds to purchase their home for the first time and even for their education.

But what about unexpected surprises and expenses? An RRSP is fully taxed when withdrawn and should never be thought of as an emergency account. Before investing, it might be a wise decision to consider a non-sheltered account before allocating your entire savings within a tax shelter such as an RRSP.

Question No. 2: What's my income this year?

In addition to the tax-deferred growth that an RRSP offers, investors also benefit from the tax deduction produced by this shelter, which is based on the contributor's marginal tax bracket.

However, if this is an extremely low income-earning year, you may wish to defer the contribution until a later, higher income-earning period. Contribution room is not lost and may be carried forward.

Question No. 3: Should I pay off my mortgage or invest in an RRSP?

This is one of the most common questions posed to a financial adviser. Why not consider both? While many Canadians rate paying off their mortgage as their top financial priority, this strategy, long-term, may force them into an asset-rich, cash-poor retirement. You might consider an annual strategy of investing in an RRSP account, then utilizing the tax refund generated from this investment to pay off your mortgage.

Other questions investors should ask include whether they should take out an RRSP loan or save monthly instead. Investors should also consider their gender and marital status when deciding to invest in RRSPs; as divorce rates are hovering around the 50% mark, there's a good chance a single mother living on her own, for example, might need to dip into her tax shelter. It's essential that, before making any long-term investment, consult your tax or financial adviser to determine what factors are involved in designing a portfolio and planning for a retirement that suits your unique situation.

Kelley Keehn, lecturer, business coach, corporate trainer and author of three books including *The Woman's Guide to Money*, uncovers "inner games" we play surrounding wealth. As a financial professional for more than a decade, she's developed a fun, practical guide to changing your money mindset at a fundamental level.

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