



OMISTA

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Newsletter



February 9, 2007

RRSP Deadline

The RRSP deadline for the 2006 tax season is March 1st this year. Have you invested in an RRSP yet? There are many good reasons to invest in RRSPs. Not only do they set you up financially for a comfortable retirement, but they also offer peace of mind in knowing that even after you retire you will be able to do the things you love.

Why Contribute to an RRSP?

Most people know that with an RRSP you can reduce taxes, however there are many other benefits of RRSPs you should consider when making your decision of whether or not you'll contribute.

- **Immediate tax savings:** RRSPs are tax deductible; they reduce the amount of taxes you owe by lowering your Gross Annual Income. Making RRSP contributions allow you to reduce the amount of taxes you pay each year and empowers you to save more sooner.
- **Tax-deferred compounding:** since your RRSPs are not taxed until withdrawn, this allows your investment to grow protected from taxes.
- **Compound interest:** while your RRSPs sit in your investments portfolio they accumulate value and compound the growth of your savings through compound interest. This means your money works for you by earning interest on top of interest. The sooner you begin to invest the more compounded interest you'll earn in your lifetime.
- **Build your retirement nest egg:** during your peak earning years, you have more money to invest in your future. Not only are you more able to afford RRSPs during your peak years, but the funds you invest now for your future will earn you more in the long run with the magic of compound interest.
- **Home Buyer's Plan:** With RRSPs you can withdraw up to \$20,000 from your RRSP, without penalty or tax, to be applied to the purchase of your first home. You then have 15 years to repay your RRSP.
- **Life Long Learning Plan:** if you're considering upgrading your education to invest in a brighter future, RRSPs can ease your financial stress. You can use up to \$20,000 of your RRSP to pay for your own or your partner's education. The withdrawal is tax-free

and can be paid back to your RRSPs over ten years. Just enough time for you to finish your higher learning and begin your bright new career!

- **Emergency funds:** at times of lower-income earnings RRSP savings can be used to bridge the low-income years when taking maternity or parental leave, or when making a career change. However, please keep in mind withdrawals are considered taxable income.
- **Income Splitting:** If your spouse/common-law partner will be in a lower tax bracket than you after retirement, much of your RRSP contributions could be accumulated in his/her name. By doing so you can take advantage of a lower tax rate and the compounded interest accumulated on the combined savings.
- **Retirement tax savings:** once you are ready to withdraw funds for your retirement, you will likely be in a lower income tax bracket than when you were working. This allows you to save on taxes and enjoy more of the money you invested for your future.
- **Peace of mind:** after retirement your lifestyle endures a significant income level change. An RRSP can be used to supplement your retirement income by "topping off" your pension. Empowering you to maintain your lifestyle and do the things you love.

One of the best reasons to begin your RRSP contributions early in your career is to take advantage of the long-term benefit of compound interest, interest earned on top of interest. You could earn more funds in the long run by investing smaller amounts today vs. having to invest larger amounts later on in life.

Different Ways to Save for an RRSP

Make it automatic – It is much easier to set aside money every month, or biweekly, than to try to come up with a lump sum. Our financial experts can work with you to arrange a plan to have a set amount withdrawn automatically from your account and deposited into your RRSP.

Unexpected lump sums – you can also take advantage of contributing any unexpected lump sums like a bonus, overtime pay, or inheritance.

Holdings outside of RRSPs – consider contributing any other non-registered investments you may currently have in your portfolio.

Borrowed funds – OMISTA's RRSP loans at prime empower you to take advantage of tax deductions on your 2006 tax returns with our low interest RRSP loans. The interest on the loan may be recouped with the compound interest earned on your RRSP over the term of your investment. Our financial experts will work within your budget.

Contact an OMISTA financial expert and make an appointment. Together we'll look at your individual situation and develop a plan that is as unique as you are.

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