

## **RRSP season offers good time to click with your adviser** **Deadline for those contributions is fast approaching**

By Malcolm Morrison  
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**TORONTO** - The deadline for 2007 registered retirement savings plans contributions is Feb. 29 and if this year is like most others, financial institutions will offer longer hours to cope with the influx of Canadians wanting to top up or establish an RRSP for the first time.

It is those in the latter group who are in danger of seriously short-changing themselves.

That's because many people burst into a financial institution at or close to the last minute, establish a registered account with a few thousand dollars, likely in a money market account -- and then forget about it.

This guarantees the investor will be soured and frustrated on the experience since gains will likely be minimal.

But it's better than not doing anything.

"The last minute... that's one of the mistakes right there but putting into a money market fund at least gets your money in the RRSP," said Sandy Cardy, vice-president of tax and estate planning at Mackenzie Financial.

"It's a start."

If you are dealing with a financial institution close to deadline, do yourself a favour and book an appointment with a financial adviser later in March when the rush has passed.

This will provide you with the time to establish a relationship with the adviser as she or he takes you through the essentials you need to know to give your RRSP every chance of growing.

"That's where you're going to get your feet wet," said Cardy.

"Some people may already have some non-registered investments -- maybe they've received an inheritance -- but the key is, before you do anything, I think you need to look at your risk tolerance, it's influenced by all kinds of factors."

You'll want to think about this before you meet with your adviser because the amount of risk you take on is up to you -- and no one else.

And your level of risk will determine how much you invest in stocks, or equities, and fixed income, which includes, bonds, treasury bills, guaranteed investment certificates and so on.

"And then timeline is also a key factor," said Andrew Beer, manager of strategic investment planning at Investors Group.

"It's going to determine what their asset mix is going to be in part, certainly if they have a very short time frame to invest in. You know, when we think of first-time RRSP investors, they need not necessarily be the young at heart. My own parents didn't start to invest in RRSPs until well into their lifetime... in their 60s maybe."

But you also have to balance risk with realistically thinking about how much money you will need after you quit working.

Beer notes that if you look at the history of the markets, an annual return of seven to eight per cent "is quite reasonable" but you will have to take on risk to get there, meaning exposure to stock markets.

But "if they do not have the stomach for investment risk, maybe eight per cent is not realistic," he said.

"If they have a short time line, then we highly recommend that they do invest very conservatively. And if it's longer, well, then they could invest more aggressively but this is where it gets more detailed and this is where we have to fully explore the comfort level with investors."

Of course, you can avoid risk altogether by sticking to fixed income but you simply can't get the same gains.

For example, inflation running at two per cent means your GIC yielding four per cent only leaves you with two per cent in real gains.

And as to whether you'll want to consider actually buying stocks or mutual funds, you may want to stick with the latter "because they do offer professional management and diversification," said Cardy.

One final note about mutual funds: they cost money. At the least you will pay an annual management expense ratio or MER, running from about two per cent for a Canadian fund to about three per cent for an international fund.

There may be other fees involved, so ask.