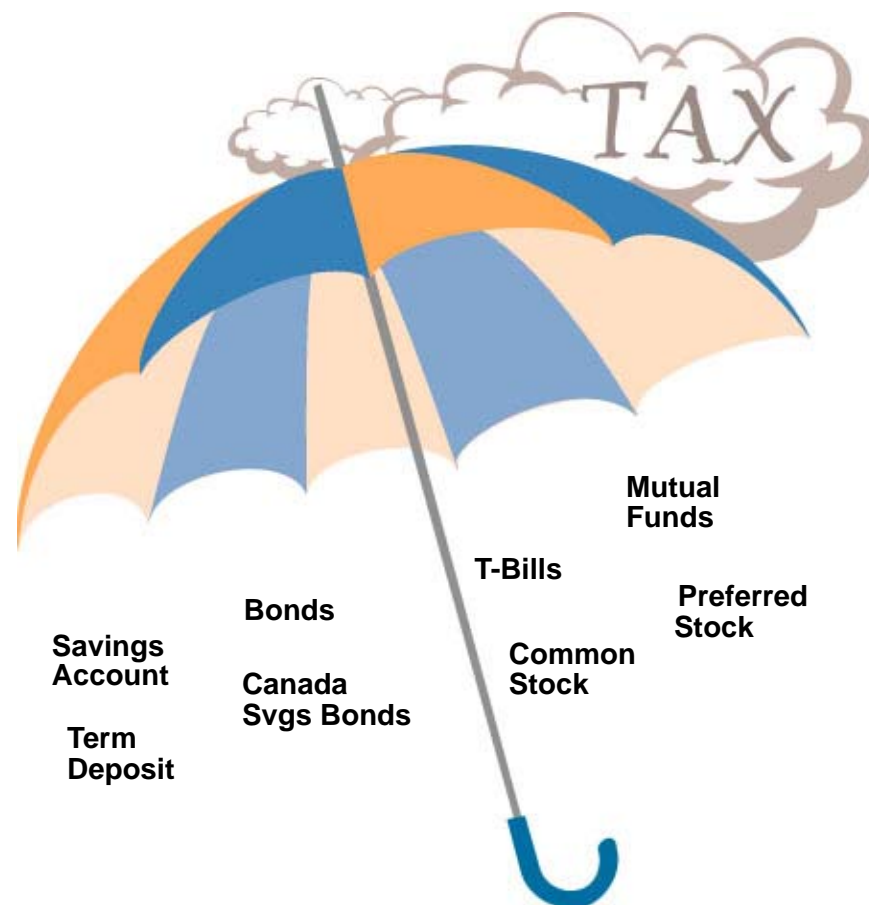


What is an RRSP?

RRSPs are personal retirement plans that are registered with the government to assist and encourage Canadians to save for their own retirement.

RRSPs are not specific investments but a vehicle used to hold a variety of investments and shelter them from taxes.

Contributions to an RRSP are tax deductible and the funds inside an RRSP grow tax-free.



RRSP Tax Savings

Since RRSP contributions are tax deductible, they can greatly reduce the amount of income tax you pay each year. This table shows the tax savings and after-tax cost of four different contribution amounts assuming a marginal tax rate of 43.41%.

For example, if you contribute \$3,000 you will save \$1,302 in taxes ($\$3,000 \times 43.41\%$ tax rate = \$1,302) making the after-tax cost of your contribution only \$1,698.

RRSP Tax Savings at a 43.41% Marginal Tax Rate

RRSP Contribution	(A)	\$3,000	\$6,000	\$9,000	\$12,000
Tax Savings	(B)	\$1,302	\$2,605	\$3,907	\$5,209
After-tax cost of RRSP Contribution	(A - B)	\$1,698	\$3,395	\$5,093	\$6,791

This chart is for illustrative purposes only and is not intended to project the performance of any particular investment.

Tax Sheltered Growth in RRSPs

RRSPs have two major advantages - contributions are tax deductible and they grow tax-free inside the RRSP. If you make annual RRSP contributions of \$14,500 for 25 years at the beginning of the year and earn 8.00% per year, your RRSP will grow to \$1,144,839. If you invest the same amount outside an RRSP, you will wind up with \$383,657, or \$761,182 less than the RRSP!

Why the big difference? The full \$14,500 RRSP contribution grows at 8.00% completely sheltered from taxes. Only \$8,206 after taxes is invested outside the RRSP which grows at the lower, after-tax rate of 4.53%.

	RRSP	Non-RRSP
Contribution	\$14,500	\$14,500
Less taxes paid*	NIL	\$6,294
After-tax amount	\$14,500	\$8,206
Rate of return	8.00%	8.00%
Less taxes paid*	NIL	3.47%
After-tax rate	8.00%	4.53%

* At a 43.41% marginal tax rate

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