



Live *your* dream.

Should you borrow for your RRSP?

During the RRSP season, many of us end up scrambling at the last minute to find the money for a contribution. Of course, the best way to save is to arrange for monthly contributions to go directly into your RRSP. But if you choose to make one lump sum contribution each year, and find that you just don't have the cash, you might think about a loan. With low interest rates, many people are deciding to take out a catch-up loan to compensate for missed contributions over the past few years. If you are thinking about borrowing this season, here are a few points to consider:

Cost of Borrowing

It may be a good idea to borrow to make your RRSP contribution provided that you are able to repay your loan within a year. The long-term catch-up costs of borrowing can be quite expensive. A \$25,000 loan for 5 years at an average interest rate of 4% would cost over \$2,500 in interest over the life of the loan. The sooner you place your money in an RRSP the better because of compounding, but loan interest on an RSP loan is not tax deductible. If your contribution results in a large refund, consider using it to pay off the loan. RSP loans are re-payable at anytime without penalty. IPC has an arrangement with a lender to offer special interest rates for RRSP loans.

Watch Your Cash Flow

We caution our clients that a large loan can take a considerable amount of money out of your monthly cash flow. Ask yourself: *"If interest rates go up, will I be able to work higher monthly payments into my budget?"* Can you afford to make regular RRSP contributions while repaying the loan? At the end of a five-year loan, you may have to catch up the contributions you didn't make while you were repaying the loan.

The Opportunity

With an RSP loan, you can take advantage of current low interest rates to borrow, save on your income taxes and enhance your RSP savings all at the same time.

Let us Shop for you

Do not assume all financial institutions offer the same thing. Let us shop around on your behalf for the best rate to keep your interest costs low. At IPC, we can consolidate your RRSPs and other investments, move your mortgage when it matures, or transfer your business account in exchange for much better rates.

By meeting with you to conduct a banking relationship review, we can assess the best strategy for your RRSP investments and your other financial needs.

Contact our office for more information.



Some terms and conditions may apply. RRSP loans are subject to credit approval. Leveraging is not for everyone; please contact us to find out if leveraging is right for you.

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