

# Live your dream.



## IPC Special Report

### 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. Long-term catch-up costs of borrowing can be quite expensive. A \$25,000 loan for 10 years at an average interest rate of six per cent would cost over \$8,000 in interest over the life of the loan. The sooner you place your money in an RRSP the better because of compounding, but your loan interest is not deductible. If your contribution results in a large refund, consider using it to pay off the loan. IPC has made arrangement with several mutual fund companies that are offering special interest rates for RRSP loans.\*

In many cases, you may be able to borrow for as little as 1 per cent under prime. With approved

credit, you could make a great savings on interest rates and taxes and accumulate more money for your retirement.

#### 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?" Remember, the interest rate on the loan is only fixed for the first year. So if interest rates go higher, you may find yourself having to pay more interest. Can you afford to make regular RRSP contributions while repaying the loan? At the end of a ten-year loan, you may have to catch up the contributions you didn't make while you were repaying the loan.

#### 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. The posted rate isn't the bank's best rate. 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. We can also refer you to individuals who might offer a better rate on your

mortgage and savings, and even arrange a line of credit at preferred rates.

Let us help you evaluate your financial situation to determine if you will have enough to make an appropriate RRSP contribution.

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**If you would like to meet to discuss your RRSP or other financial needs,  
please do not hesitate to call our offices.**



\*Subject to credit approval; some terms and conditions may apply.

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