



RICE SOLUTIONS

RRSP Loans and You: Maximizing Your Retirement Savings • Your Money Should Work as Hard as You Do • You Are Your Biggest Asset Protecting Your Earning Power With Disability Insurance

RRSP Loans and You: Maximizing Your Retirement Savings

Everyone has dreams about what their retirement will look like. Some have aspirations of traveling the world, while others simply look forward to spending more time at the cottage with family and friends. Whatever your vision, it's important to put as much aside as soon as you can.

An RRSP loan is a great way to boost your savings and max out your yearly RRSP contributions. Working on the same principle as a mortgage or car loan, RRSP loans provide you with the means to catch up on years past and ensure your nest egg reaches its full potential.

With RRSP loans, it's never too late to retrace your steps. Whether you've missed making your maximum contribution for some time, or are simply a few thousand dollars shy this year, an RRSP loan is an effective way to get back on track. Two general categories of RRSP loans exist: top-up and catch-up. Top-up loans are designed for investors who require a smaller loan to fill their contribution room, while catch-up loans are designed for those who have been behind on their contributions for some time. With values anywhere up to \$50,000, catch-up loans are paid over a longer term.

By working with your financial advisor, you can determine how much room you have to fill, and what kind of payments you can afford to make to ensure the loan you choose is the best fit for you. In most cases, it's a good idea to choose a loan that you are able to pay back while still making regular contributions to your RRSP—this way you won't fall behind again.

Accessing an RRSP loan also provides some tax advantages that allow you to pay it back quickly and easily. By contributing more to your RRSP with the funds from your loan, you will generally enjoy a higher tax refund. As a result, the money you save can be used to pay down the loan. Some institutions allow you to defer your first payment for a few months after the RRSP loan is taken out to allow for this immediate payback (interest still applies).

Maximizing your RRSP contributions is one of the best ways to ensure a secure retirement. But, it's important to evaluate your current life stage and financial situation to ensure the tax savings and investment interest earned outweighs the cost of the loan. Talk to your Rice Financial advisor today about how RRSP loans can help turn your retirement dreams into realities. •

Your Money Should Work as Hard as You Do

As a young professional you work hard to finance the kind of lifestyle you want. Whether it's vacationing with friends or spending time with family, rewarding yourself and those you love takes careful planning and budgeting skills. Luckily, by investing in a high interest savings account you can get your money working as hard as you do.

Just as it sounds, a high interest savings account is simply a savings account with a high interest rate. Ensuring you have a safe and accessible place to put your money, high interest savings accounts generally have a higher interest rate than most traditional savings accounts. As a result, your money grows faster.

An increasingly popular product, high interest savings accounts aren't a replacement for your regular bank account. Instead, high interest savings accounts are designed to be a supplement—intended for money you don't plan to touch for a while. However, while

setting money aside early on is an important part of achieving your future financial goals, spending some to fulfill a few goals you have in the here and now is also important. That's why high interest savings accounts have built in features offering flexibility, accessibility, and safety.

Since you may not want to commit to depositing a fixed amount of money each month, high interest savings accounts allow you to invest as much or as little as you want. The important thing is that you keep contributing. In contrast to mutual funds or stocks, high interest savings accounts offer you the flexibility to coordinate your deposits with other financial obligations and priorities that come up in your life.

In addition to these deposit options, high interest savings accounts also provide options to withdraw your money as you see fit. Although the money put into your account is intended to stay put, there may be a time where you need

to take some out. Unlike GICs or savings bonds that can keep your money locked away for months or even several years, your high interest savings account allows you to access your funds anytime you want or need to. It's accessibility at its best.

Finally, when attempting to build wealth, you may desire some security in your investments to ensure what you do have stashed away isn't lost on changeable markets. Although interest rates on your high interest account may fluctuate, you will never lose money. Your principal and interest earned are protected by the Canadian Deposit Insurance Corporation (CDIC) up to \$100,000 per Canadian Chartered Bank (conditions may apply). Here, high interest savings accounts provide investors like you with a safe place to grow their savings without having to worry about market risk. Your money should work as hard as you do, and investing in a high interest savings account is a good first step toward achieving financial freedom. •

You are Your Biggest Asset Protecting Your Earning Power with Disability Insurance

When people are asked to think about their most valuable asset, possessions such as their house, car, or cottage often come to mind first. Although such items say a lot about the kind of lifestyle you desire and enjoy, in actuality your most valuable asset is what finances this lifestyle: your earning power.

It's important to remember that without your regular income, your ability to acquire assets that maintain your desired lifestyle is substantially reduced. The ability to work is something we often take for granted, but reality tells us accidents happen and you might not be able to work as long as originally anticipated. That's why protecting your earning power is so important. Should you become unable to work, what would the financial impact be on your family? Because income is the key driver of your lifestyle—the things you and your family

like to do, experience, own, and achieve—it's crucial your insurance policy include provisions to replace it.

Disability insurance is an effective tool that specifically addresses the need for income replacement. Should you meet the definition of "disability" within the insurance contract, funds paid to you from the policy can be used to maintain your lifestyle, pay your mortgage and other expenses. Eliminating worries about how you'll make ends meet, disability insurance allows you to focus your energy on coping and adapting to your disability.

According to a Stats Canada study, approximately 45 per cent of Canada's workforce lives without income protection. Many of these people believe that EI, CPP, or their group insurance coverage is sufficient; however, it's important to understand the limitations of these programs. For example, EI is fully taxable

and is only payable for a limited period of 15 weeks. Additionally, to receive CPP disability benefits one must meet a very extensive definition of disability—requiring that your disability be both "severe" and "prolonged," and prevents you from doing any job on a regular basis. And, while your group benefits may provide adequate coverage, you must consider factors such as elimination periods that could delay your funds or the potential for payment disruption if your company makes changes to their plan or carrier. With your own personal disability insurance plan you remain in control and can ensure your financial well-being isn't compromised.

Remember, your health is directly connected to your wealth and in order to secure your biggest asset, it's crucial you have effective insurance in place. For more information about disability insurance, contact your Rice Financial advisor. •