A Husband's Point Of View

A.M.H. Financial Services

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On the Lighter Side

My new car has something that will last a lifetime - Monthly Payments

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How about the parrot who always wore a raincoat . . . She wanted to be Polly unsaturated.

Did you know that lady frogs wear open toad shoes?

Then there was the dog who learned to play the piano—his Bach was worse than his Bite.

Why does a French person only eat 1 egg for breakfast? Because 1 egg is an OEUF!

Happy New Year!

If you are like most Canadians, you need to rely on your own savings to fund the retirement lifestyle you want. If you have earned income, a Registered Retirement Savings Plan (RRSP) is one of the most tax-efficient solutions.

Contributing to an RRSP is one of the most important strategies you can use to build your wealth for a worry-free retirement. Making an RRSP contribution helps you save on taxes – you may even get a tax refund. But what if you don't have enough money to make a contribution? You could consider an RRSP loan. An RRSP loan means borrowing money to invest in an RRSP. Such a loan enables you to maximize the benefits of RRSPs and increase your savings for retirement.

With traditional investing, you invest your own money. With leveraged investing, you invest borrowed money – and that means you can invest a much larger amount. Because you're investing more money, you earn more when markets rise and lose more when markets drop. If you can accept that higher level of risk, leveraged investing can be an effective way to create wealth faster.

RRSP loans help you maximize your retirement savings. The more you can put away and the earlier you do it, the better. Just as it's important to open an RRSP, it's equally important to make sure you're getting the most out of your RRSP.

That's where maximizing your contributions with RRSP loans and making smart RRSP withdrawals come into play. An RRSP loan is a great way to ensure that you're maximizing your RRSP contributions. An RRSP loan gives you the funds you need to meet your full annual RRSP contribution amount of 18% or top up your unused contributions from previous years.

Call Andy today for more information on RRSPs and RRSP loans at (780) 425-4058 or email him at andy@amhfinancial.ca

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Annual RRSP Contribution Limits

Invest in tomorrow while saving on your taxes today!

Year	Annual Contribution Limits
2020	$27,230
2019	$26,500
2018	$26,230
2017	$26,010
2016	$25,370
2015	$24,930
2014	$24,270
2013	$23,820
2012	$22,970
2011	$22,450
2010	$22,000
2009	$21,000
2008	$20,000
2007	$19,000
2006	$18,000
2005	$16,500

Anyone with RRSP contribution room can contribute to an RRSP, up to and including the year that the contributor turns 71 years of age. Contributions can be made to a spousal RRSP up to and including the year that the spouse or common-law partner turns 71 years of age. This maximum age was increased from 69 to 71 by the 2007 Federal budget, giving people an additional two years to contribute.

5 Big RRSP Myths

Myth 1: There's no point investing in an RRSP — you pay all the savings back in taxes when you retire anyway

While this is a fairly popular myth, it's not accurate. Although you do pay tax on RRSP withdrawals, don't forget that you also got a tax deduction upon contribution. If your tax rate is the same in the year of contribution that it is in the year of withdrawal, an RRSP effectively provides a completely tax-free rate of return on your net contribution. And, if your tax rate is lower in the year of withdrawal, you'll get an even better after-tax rate of return on your RRSP investment. In fact, in many cases, even if your tax rate is higher in the year of withdrawal, you are still likely better off with an RRSP than non-registered investments due to the long-term compounding that is effectively tax-free.

Myth 2: It's better to invest in a TFSA than in an RRSP

Many Canadians believe that it is better to invest in a TFSA than in an RRSP, citing that TFSAs are better tax saving vehicles because they are completely tax-free. The basic rule of thumb is that an RRSP is generally a better choice than a TFSA if you expect to have a lower tax rate in retirement. This is particularly likely if you are a baby boomer in your peak earning years and expect lower income when you are no longer working. It is true that a TFSA may be a better choice than an RRSP in some cases, such as if you expect a higher tax rate upon withdrawal or will face claw-back (repayment) of government benefits. Even so, you may not be able to save enough in a TFSA alone and may also need to supplement retirement savings with an RRSP.

Myth 3: It's better to pay off debt

Paying off high-interest debt should definitely take priority over retirement savings, as it's hard to get an after-tax, guaranteed annual rate of return of 19.99 per cent, a typical credit card rate today. The decision to pay down other debt, such as your low-interest mortgage, at the expense of retirement savings, is often an emotional one that isn't driven by the numbers. With mortgage interest rates at near 60-year lows, albeit rising, neglecting your long-term savings in favour of debt repayment may result in sacrificing the quality of your retirement.

Myth 4: I don't have enough money to save in an RRSP

You don't have to make a huge investment in an RRSP. Making modest contributions on a regular basis can really add up. Suppose you were to invest just $100 each month in an RRSP from ages 30 to 65 and could obtain a long-term, average rate of return of 5 per cent on your investments. In 35 years, you would build up over $114,000 in your RRSP to use for your retirement. Your savings could provide over $9,100 of pre-tax income annually for 20 years to top up your retirement income.

Myth 5: If I save too much in an RRSP or RRIF, there will be a large tax bill when I die

The tax rules require the fair market value of your RRSP or RRIF as of the date of death to be included in income on your terminal tax return, with tax payable at your marginal tax rate for the year of death. There are exceptions, however, which may allow a tax-deferred rollover to certain beneficiaries, such as a surviving spouse or partner or in some cases, a financially dependent child or grandchild.

Another strategy to minimize income taxes on your RRSP/RRIF at death is to take annual withdrawals from your plan during your lifetime to maximize the income that will be taxed at low rates by forcing additional withdrawals in years you are in a lower tax bracket.

Financial Advisor
Since 1976

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FINANCIAL
SERVICES

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Take a look at our new website!

www.amhfinancial.ca

AMH Financial Services is a full-service firm. We offer services to help you examine your financial goals and select the options that will best suit your needs, timeframe and investment style. We believe in helping you create a comprehensive financial plan for your family that includes planning, insurance and portfolio management.

MY COMMITMENT AS A FINANCIAL ADVISOR IS TO HELP PEOPLE TO REACH THEIR FINANCIAL GOALS. IF YOU HAVE A FAMILY MEMBER, FRIEND OR COLLEAGUE WHO YOU FEEL COULD BENEFIT FROM A CONVERSATION WITH ME, I WOULD BE PLEASED TO SPEAK WITH THEM WITHOUT OBLIGATION.

I believe that every individual has an unalienable right to make the best and most effective use of hard-earned income, to have easy access to up-to-date and informed advice, and to be able to provide for short and long-term requirements.

I am committed to serving the individual customer with investment and financial portfolios which will meet current needs and provide for future requirements and situations.

My mission is to help you to make an educated decision that you are comfortable with!

Want to feel more confident about reaching your financial goals? We can help you with that!

I want to get ready for my financial future

I want to plan for my retirement

We want to get ready for our life together

I want my children to get ready for a better financial future

With so much conflicting advice in the news, online, even from friends and family, making sound financial choices is difficult. Eliminate the confusion and make informed financial decisions with help from a professional.

Call us today (780) 425-4058