Nelson & District
CREDIT UNION Logically. Locally.

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Last Minute RRSP Tips

You probably have a grocery list and a to-do list, but if you haven't thought about your RRSP yet, you'll want to make this one part of your collection too. Remember that the contribution deadline this year is **February 29, 2012**. As long as you make your contribution before then, you can still claim it on your 2011personal income tax return.

Now then, here's what you need to do:

1. Dig out your Notice of Assessment from Revenue Canada. It tells you how much you can contribute to an RRSP for the past calendar year and how much unused contribution room you have from previous years. Contact Revenue Canada if you can't find your Assessment. You can also calculate your own contribution limit – for the 2011 tax year, it is 18 percent of your previous year's earned income, to a maximum of $22,450. Calculate your contribution room here.

   However, if you did not use your entire RRSP deduction limit for the years 1991-2011, you can carry forward unused contributions to 2012. Therefore, your RRSP deduction limit for 2011 may be more than $22,000.

2. If the amount you are allowed to contribute is more than you have on hand, consider a loan. The interest you pay on RRSP loans is usually less than the amount you can earn on your investment, if you repay the loan within one year. Plus, you get the tax refund, which means that you can repay the loan faster (paying even less interest), or you can put the refund in your RRSP (earning even more interest), pay down your mortgage or just spend the windfall.

3. When you talk with us about getting a loan and where to invest your RRSP contributions, it's a good idea to set up a monthly contribution plan so you won't have to go through all this again next year. Monthly contributions to RRSPs will put you further ahead than making one lump sum contribution at the end of the year, even if the rate of return on both types of contributions is the same. If you are purchasing stocks or mutual funds through a monthly plan, you also benefit from dollar cost averaging.

4. If you're part of a couple, make sure that both of your RRSPs are about the same size. The partner with the higher income can contribute part of his/her contribution to the one with a lower income through a spousal plan. The partner with the higher earnings is in a higher tax bracket and will get a larger return. When you both retire, it makes sense for you to have equal amounts in your RRSPs because the tax assessed will be lower than if all of the income was in one partner's name.

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5. Diversify. There's a reason why farmer and investment experts tell you not to put all your eggs in one basket. Every kind of stock or mutual fund can have a downturn, and interest rates can fall. Spreading your money around and putting some of your money in mutual funds or stocks, and some in more stable investments like term deposits can protect you from heavy losses during downswings. At Nelson & District Credit Union and Allard Insurance Agencies Ltd. our investment specialists and advisors will help to find the strategy that's right for you.

Finally, if you're reading this list and it's too late to do most of the things on it or you just don't have time to worry about it right now, just contribute to an RRSP savings account. The interest on these accounts is very low, but you are able to transfer your funds into a different type of investment without any penalty. Just be sure to make an appointment with one of our investment advisors to sort out your options first! To find the branch nearest you or contact us, visit our website.