

New to RRSPs? Consider an RRSP loan



When you're first starting out, it can be tough to put together enough money on a regular basis to make what feels like a meaningful dent in your budding RRSP. But, if your credit is in good order and you have a reliable income, an RRSP loan might help you find enough money to get the RRSP going—and put you on track for your ideal financial future.

RRSP loans can be the best choice when:

- You have contribution room but you're faced with a cash shortage. Be sure you have the ability to make the payments on the loan during the term (or use tax savings to potentially pay off the loan entirely) and that the borrowed amount does not affect other borrowing needs in the short-term.
- You have an expected lump sum pay in this income-tax season. An RRSP loan could help to offset or even eliminate the amount payable.
- RRSP loans offer relatively low interest rates, especially if you're able to pay off the loan within a year. A good strategy is to use the RRSP loan to maximize your contributions now, and with your potential tax savings, pay down, or even pay off your RRSP loan.

Some things to keep in mind:

- Each year you have earned income, you are eligible to contribute to an RRSP up to a maximum amount.
- The benefit is that contribution allowance never expires. Even if you don't contribute for 10 years, the contribution amount from each of those years is still available to you, allowing you to take advantage of tax sheltered savings in future years when you have more earned income to apply to your savings.
- The saying "the sooner the better" is relevant for your RRSP savings plan too. The sooner you can start saving, the better the growth of your savings will be in the future. However,

the majority of us face similar challenges and constraints that may make it difficult for us to save in our early years.

The good news is it's never too late to start or enhance your retirement savings plan. And even if you have not been able to manage large contributions in the past, or you're only now starting to plan for your retirement, an RRSP loan could help you maximize your contribution and put you on track for your ideal financial future. You can make your savings work for you now and grow your savings faster – a win-win.

A credit union professional can help with a retirement savings plan that is right for you.