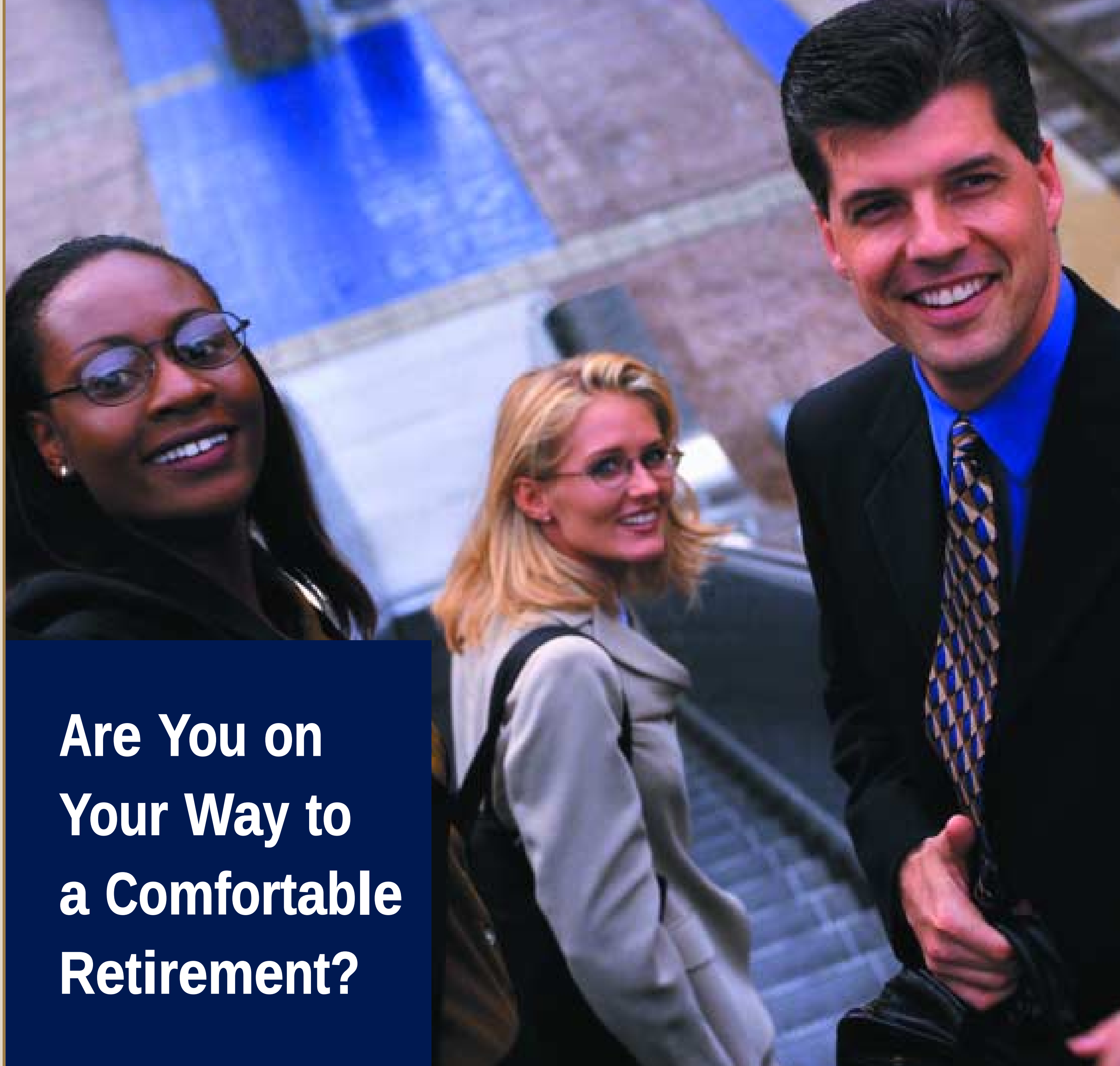
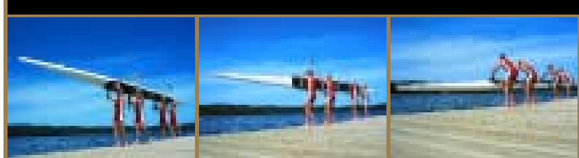


Are You on Your Way to a Comfortable Retirement?

A COMPREHENSIVE RRSP GUIDE AND PLANNING TIPS



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RRSP Guide

A comfortable retirement is arguably the most important of all financial goals. We are leading longer, healthier and more active lives. But, for most of us, in order to enjoy the fruits of our labours, we need to plan well in advance. There is little room for error. Our quality of life and of our loved ones may be at stake.

Most financial advisors agree that in order to maintain our standard of living during retirement, we need at least 70% of our pre-retirement income. That is not an easy task, especially with actuarial projections showing that an average couple will live 30 years past their retirement. It is crucial that we understand the sources of income at retirement, and prepare our plans accordingly.

Sources of Retirement Income

Government Benefits

These are the Canada/Québec Pension Plans (CPP/QPP), Old Age Security (OAS), Guaranteed Income Supplement (GIS) and the Spouse's Allowance. Assuming they are available in the future, and that there are no other sources of income, the maximum that these programs will pay (in current dollars) is $12,120.96* per year.

Pension Plans

Depending on the type of the employer-sponsored pension plan, earnings in the plan and period of employment, pension benefits may form a significant part of a retirement income. However, a Statistics Canada report issued November 17, 2003 shows that only 40% of employees belonged to a company-sponsored plan in 2001. This is despite the fact that these plans held 69% of total retirement assets (CPP/QPP, Pension Plans and RRSPs).

RRSPs

Registered Retirement Savings Plans (RRSPs) are probably the retirement income source over which we have most control. RRSPs represent our first and most powerful line of defense against an uncomfortable retirement, and are the centerpiece of most retirement plans. And yet, they remain critically underutilized. According to the same Statistics Canada report, RRSP assets represented only 25% of total retirement assets and 9% of total available contribution room.

Non-Registered Savings

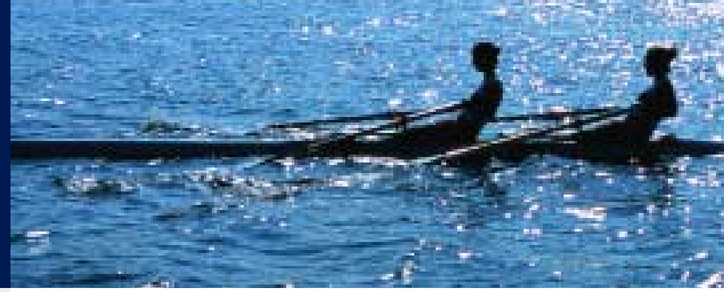
This is the most flexible source of retirement income. It is also the most difficult to acquire because it is funded from after-tax savings. If you are like most Canadians, you already have a difficult enough time juggling your living expenses, mortgage payments, children's education and retirement planning to have much left over.

Home Equity

Much of ordinary Canadians' income goes towards paying off their mortgages. As such, equity in our homes makes up a major component of our net worth. This equity can be drawn upon to help fund our retirement in a variety of ways.

*.As of July 2003, the maximum monthly OAS was $461.55 and GIS $548.53. The GIS is gradually reduced and eliminated with earned income levels above $13,176. The maximum monthly CPP is $801.25.

What is a RRSP?



RRSPs date back to 1957 when the federal government decided to help individuals who lacked good pension plans put money away for the future.

RRSPs are simply tax-sheltered investment accounts that have been registered with Canada Customs and Revenue Agency (CCRA). The concept behind them is simple: if you agree to put some of your income away for the future, you will not pay taxes on these amounts until you withdraw them. It is an effective tax saving strategy and the federal government's way to encourage us to save for our retirement.

RRSP Tax Incentives

There are two distinct advantages to RRSPs:

1 current tax savings resulting from the deduction of contributions, and

2 tax-free earnings on funds accumulating in the plan.

RRSPs allow you to deduct from taxable income specified amounts contributed to your (or your spouse's) plan. These amounts may then be invested and the earnings accumulate in the plan tax-deferred, so that they can grow more rapidly than would similar investments made outside the plan.

Like most tax shelters, RRSPs merely allows you to defer income tax. When the funds are withdrawn from the plan, the money is subject to tax. The goal is to deduct your RRSP contributions while your income is subject to a high tax rate and withdraw the funds during retirement when your income may be lower and subject to a lower tax rate. The benefits of the tax deduction and the tax-deferred accumulation allow for a bigger retirement pool than could be achieved in an unregistered investment earning the same rates of return.

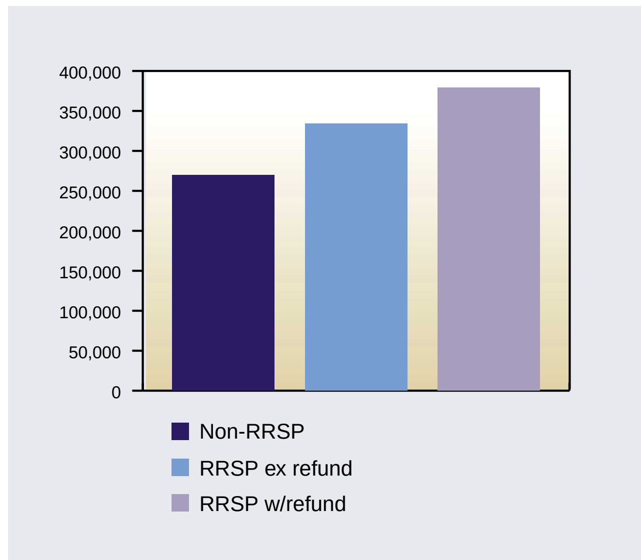


Chart I illustrates these benefits. Assuming an 8% pre-tax compounded annualized return, a 25-year investment horizon and $5,500 investment per year.

The first bar represents the end value of the investment outside of a RRSP (assuming a 35% tax on annual returns).

The second bar represents the end value of the same annual $5,500 contributed to a RRSP with the income accumulated in the plan taxed at a rate of 35% at the end of the horizon period.

The third bar assumes that the resulting tax refund (assuming a marginal tax rate of 45%) is re-invested in the plan. The total amount (contributions and income) is taxed at a rate of 35% at the end of the 25 years.

Setting Up a RRSP

Anyone 69 years or younger who has earned income in Canada and a social insurance number can create and contribute to a RRSP, including non-Canadian residents. There is no limit on how many RRSPs an individual may hold, but the total permissible contribution limit remains the same.

Qualified Investments

RRSPs offer a lot of flexibility in the choice of investments. Qualified investments range from GICs and mutual funds offered by the issuing financial institution to self-directed RRSPs, or umbrella plans which permit investors to hold eligible products from a variety of institutions including GICs, mutual funds, bonds, stocks and even mortgages all in one place. Annual trustee fees of up to $150 normally apply, as well as withdrawal and transfer fees from one institution to another.

Most Dynamic investment products are RRSP-eligible. No trustee, withdrawal or transfer fees apply (with the exception of deferred sales charges if applicable).

Contributions

For any given year, tax-deductible contributions may be made during the year or within 60 days after year-end. The investor decides if the contribution made during the first 60 days of a year is applied for that or the preceding taxation year. Unused contribution room may be carried forward to future years.

There are three possible sources of RRSP room in any particular year:

1. 18% of your previous year's earned income to a certain maximum, less any pension adjustment amounts (which arise from employer-sponsored plans),
2. carry-forward amount based on unused contribution room from previous years (starting with 1991), and
3. special contributions based on unusual types of income that might be received (such as lump-sum retirement allowances).

CCRA provides the RRSP contribution room to each taxpayer on the annual assessment notices. For example, your 2002 Notice of Assessment indicates your RRSP contribution limit for 2003.

Maximum RRSP annual contribution limits

2003	$14,500
2004	$15,500
2005	$16,500
2006	$18,000
2007 and beyond	Indexed

What is "earned income" for RRSP purposes?

Earned income includes:

- net employment income (salary/wages less employment-related tax deductions excluding CPP/QPP)
- net income from a business or partnership (business losses reduce earned income)
- net rental income (rental losses reduce earned income)
- net research grants (excluding scholarships or bursaries)
- taxable disability benefits
- supplementary unemployment benefits
- taxable alimony/maintenance/child support
- certain royalty income

Earned income excludes:

- investment income
- taxable capital gains
- limited partnership income
- death benefit
- retiring allowance
- pension or DPSP income
- payments from RRSP/Registered Retirement Income Fund (RRIF)/Old Age Security (OAS)/CPP/QPP

Contributions (continued)

What is a pension adjustment (PA)?

A PA represents the value of any tax-deductible pension or Deferred Profit Sharing Plan (DPSP) contributions you and/or your employer made in the prior year.

The purpose of this adjustment is to better balance tax-sheltered savings opportunities among those who have good pension plans and those who do not. So there is an overall limit that covers both employer-sponsored and personal plans.

In certain cases you might also have a "past service pension adjustment". That covers retroactive improvements in your pension plan at work and also reduces your RRSP limit.

Maximum Money Purchase Registered Pension Plan (RPP) annual contribution limits

2003	$15,500
2004	$16,500
2005	$18,000
2006 and beyond	Indexed

Maximum Defined Benefit RPP annual pension benefits

2003	$1,722
2004	$1,833
2005	$2,000
2006 and beyond	Indexed

Over-contributions

Annuitants may contribute up to $2,000 above their contribution room without incurring a penalty. Annuitants will not receive a deduction for this amount, and unless the amount is deducted in future years when further contribution room is created, or withdrawn within a specified period of time, the funds will be taxed at withdrawal, resulting in double taxation. However, income on the over-contribution will grow tax deferred.

Bear in mind that this is a cumulative limit and not an annual one. Any amounts over this $2,000 threshold will be subject to a 1% penalty per month. Earnings on over contributions are not subject to the penalty.

Unclaimed contributions

Amounts contributed in any given year need not be deducted in that year. These amounts may be carried forward and deducted in future years. CCRA includes these amounts in the contribution room it reports in the annual assessment notices.

Spousal RRSPs – An Effective Income Splitting Strategy

If you earn more than your spouse, an effective strategy to reduce your taxes during retirement may be to set up a spousal RRSP. This is a registered plan where your spouse is the annuitant but you claim the tax deduction. Contributing to a spousal RRSP reduces your RRSP contribution limit but not your spouse's.

A spousal RRSP works even if you are not legally married as long as you have lived together for at least a year, or if you have children.

What's it worth to you?

Lower marginal tax rate
A spousal RRSP can be used to transfer some of your retirement income to your spouse. This may bring your marginal tax rate during retirement lower and save you thousands of dollars.

Double the federal pension tax credit
If your spouse has no other income, a spousal RRSP allows you to transfer some of your retirement income to her or him. This way, each of you will be able take advantage of the federal and provincial pension tax credits.

Shelter retirement income from taxes longer
If your spouse is younger than you, the money you contribute to the spousal plan will have that much longer to increase in value on a tax-deferred basis. Moreover, as long as you have "earned income", you may continue to contribute to the spousal plan and claim a deduction even after you reach age 69 and have to convert your own RRSP to a RRIF.

A word of caution

Once you have put money into the spousal plan, the money belongs to your spouse. Moreover, to prevent spousal RRSPs from being used to split income, the amount your spouse withdraws in the year of contribution or the next two calendar years will be taxed with you.

Note that this applies regardless of the source of withdrawals. For example, if your spouse has several spousal RRSP accounts, a withdrawal from any of these accounts will be added to your income if you had made a contribution in that or the preceding two years to any of these accounts.

Group RRSPs

Group RRSPs are a convenient, flexible and easy-to-administer way for employers to help employees save for retirement. Typically, contributions are deducted from each paycheque, with the employer also contributing to the plan according to a pre-determined formula.

Technically, a group RRSP is just a collection of RRSPs that are administered together by one financial institution. The range of investments available can be quite wide and is determined by the employer.

RRSP Loans

If you are behind in your contributions, you can consider taking a RRSP loan. Normally, a loan can be obtained to fund your RRSP contribution and repaid over the course of one or two years.

Larger loan amounts and longer pay back terms may be suitable if you have a higher than normal income and a lot of unused contribution room. A catch-up loan can get you a relatively large tax refund, kick-start your retirement savings, and allows you to enjoy the tax-deferred earnings and faster accumulation of the funds in your plan. The tax refund can then be used to lower expensive credit card debts, pay down your mortgage, or to repay the RRSP loan faster.

While interest paid on a RRSP loan is not tax deductible, the tax refund and tax deferred growth of your investment can make this strategy worth considering.

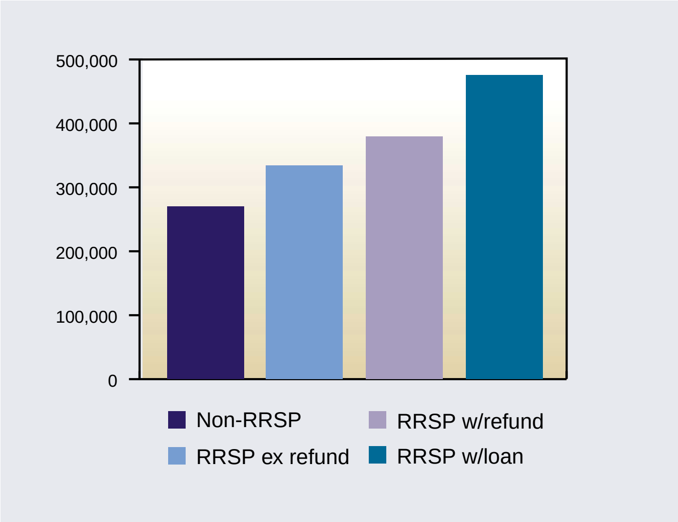


Chart 2 replicates Chart 1 but adds one more bar representing a $10,000 annual contribution, made up of the original $5,500 in the earlier examples plus a $4,500 RRSP loan. The loan can be repaid using the tax refund, assuming a 45% marginal tax rate.

Beneficiary Designation

Beneficiaries may be designated within the plan itself or in a will. In case the name of the beneficiary listed on the plan differs from the name stated in the will, the will takes precedence. In Québec, the designation must be stipulated in a legal will.

Transfers

Between RRSPs
Funds may be transferred from one RRSP to another or to a RRIF without tax consequences. While funds may be transferred from an individual to a spousal RRSP, the transaction cannot be reversed.

Upon death
Upon death, the funds in a RRSP (or RRIF) are normally taxed with the estate unless transferred to the spouse's RRSP or RRIF, provided that the spouse is named as beneficiary. The spouse can also use the funds to purchase an annuity.

If the RRSP or RRIF funds are left to a financially dependent child or grandchild, the funds can be taxed in their hands unless used to purchase a term annuity to age 18.

Upon marriage breakdown
Subsequent to a court order, upon a marriage breakdown, a RRSP may be split and transferred to a spouse.

Retiring allowance
A retiring allowance (which includes severance pay and amounts received for wrongful dismissal) may be transferred tax-deferred to a RRSP rather than taxed as income when received. There is a limit of $2,000 for each year/part year of employment before 1996, plus an additional $1,500 for years of employment before 1989 for which no employer pension contributions have vested.

Pension plans
Transfers from a RPPs or DPSPs to a RRSP are generally not allowed, unless the pension funds are not locked-in. Otherwise, these transfers must be done into a locked-in RRSP.

Foreign Content

Diversification is an essential investment strategy. In simple terms, no one can predict which world region, asset class or investment style will outperform over a given period of time. Diversifying across these various elements has historically led to stronger portfolio returns and/or lower risk. Canadian stock markets represent less than 3% of the world's equity market capitalization. Clearly, there are benefits to be enjoyed in diversifying outside of our borders.

The Canadian government currently allows RRSP annuitants to invest up to 30 percent of their portfolios abroad. The foreign property limit is measured by the book value (or more precisely, tax cost) of foreign investments and not their current market value. Therefore, if the foreign investments outperform the Canadian ones, causing the foreign content to rise above 30 percent, no penalties would apply.

For example, you start out with $10,000 in your RRSP. Initially, this amount represents both the book value as well as market value. Based on this, you may invest up to $3,000 in investments that are considered foreign content. Assuming no distributions (distributions other than return of capital, lower the market value of an investment and increases its tax cost by that amount), if the market value of your foreign investments grows to $4000 while your Canadian investments remain at $7,000, your plan will not be over its foreign content limit.

Should you exceed your foreign content limit (as a result of a transaction or even a large distribution paid by a foreign investment), your financial advisor can notify you and arrange to have any excess sold, and the cash transferred to the Canadian side of your RRSP. There is a 1% penalty for each month if by the end of that month, there is an excess foreign content balance.

Dynamic provides automatic rebalancing to keep your plan from going over this limit.

How to gain more than 30% foreign content exposure in your RRSP

Other than your foreign investments outperforming your Canadian ones, there are several ways you can go beyond the permissible 30% limit without incurring a penalty:

- RRSP foreign content funds
  These funds offer investors the opportunity to participate in foreign markets while being 100% RRSP-eligible as Canadian content. This is usually done through exposure to an underlying foreign fund or through the use of future contracts.

- Foreign pay bonds or bond funds
  Bonds issued by Canadian issuers but pay either principal, interest or both in foreign currencies are considered 100% eligible as Canadian content, while providing indirect exposure to interest rate markets outside of Canada.

- Canadian funds that maximize their allowable 30% foreign content limit
  RRSP eligible mutual funds may invest up to the 30% foreign content limit without being considered foreign investments. Choosing Canadian funds that maximize their own foreign content exposure can boost the total foreign exposure in your plan to 51% or more:

  30% directly invested in foreign investments
  + 21% foreign exposure (70% × 30%)

  As these limits are based on your plan's book value, the actual foreign content exposure could be higher depending on performance.

- Labour-sponsored funds
  Including labour-sponsored funds in your RRSP raises the foreign content limit by three times the amount of your investment, subject to a maximum overall limit of 50%.

Example

RRSP without labour-sponsored funds

Book value:	*$50,000*
Foreign content limit:	*$15,000 (30%)*

RRSP with $5,000 invested in a labour-sponsored fund

Book value:	*$50,000*
Regular foreign content limit:	*$15,000*
Additional limit:	*$15,000 ($5,000 × 3)*
Total foreign content limit:	*$25,000 ($15,000 + $15,000 subject to a maximum of 50%)*

- Bumping up book value
  If your Canadian investments are significantly above their cost, you can increase their book value by rolling them over or switching them to other investments. This way, your new cost for these investments is their present market value.

Example

Before rollover

	Book Value	*Market Value*
Canadian investments	*$35,000*	*$47,000*
Foreign content book value	*$15,000 (30%)*	*$18,000*
Total	*$50,000*	*$65,000*

After rollover

	Book Value	*Market Value*
Canadian investments	*$47,000*	*$47,000*
Foreign content book value	*$15,000 (24%)*	*$18,000*
Total	*$62,000*	*$65,000*
New foreign content limit	*$18,600*	
Additional foreign content room created	*$3,600*	

Using Your Investment Early

Withdrawals

You may withdraw cash from your RRSP at any time. The amount will be included in your income for that year and taxed as ordinary income, regardless of the source (contributions or accumulated income) of that income. The amounts you withdraw cannot be replaced, as your contribution room is not increased.

Withdrawals are subject to withholding taxes: 10% for amounts up to $5,000 (21% in Québec), 20% for amounts between $5,001 and $15,000 (30% in Québec) and 30% for amounts over $15,000 (35% in Québec).

The rates are applied to each individual withdrawal and not cumulative withdrawals you make during the year. Keep in mind that these are only withholding taxes and not the tax rates the withdrawals will ultimately be taxed at.

For non-residents, withdrawals are subject to 25% non-resident tax unless otherwise specified by a tax treaty.

Home Buyer's Plan (HBP)

The HBP allows you to withdraw funds from your RRSP with no withholding taxes in order to purchase a first home. You (and your spouse) may (each) contribute up to $20,000 (in case of joint ownership) from your RRSPs towards your purchase. A first home means that neither of you can have been a homeowner for the previous four years.

- The home must be acquired before October 1 of the year following the year of withdrawal, and you must intend to use the home as a principal residence no later than 1 year after its acquisition.
- If you contribute to a RRSP and withdraw the same funds within 90 days under the HBP, you cannot deduct your contribution. Funds already in your RRSP are considered to have been withdrawn first.
- You have 15 years to pay back the amounts to your RRSP beginning the second year following the year of withdrawal. The minimum repayment is 1/15 of the outstanding balance each year (due within 60 days after year-end). When you pay back your RRSP there is no additional deduction. If you fail to make a payment, the amount will be added to your income.
- If you repay more than you have to for a year, the amount you have to repay in following years will be reduced accordingly. To calculate the amount you have to repay for the year, divide your HBP balance by the number of years left in your repayment period.
- Repayments cannot be deducted from income for tax purposes and they do not affect RRSP contribution limits. Moreover, the three-year waiting period does not apply in case there is a shortfall in repayments (i.e. amounts not repaid to a spousal RRSP are taxed with the withdrawing spouse). However, if your spouse withdraws the funds and does not purchase a qualifying home, the attribution rule will apply.
- If you become a non-resident, you must repay the whole balance within 60 days or else the balance will be included in your income for the year you become a non-resident.
- Upon death, the outstanding balance will be included in income in the year of death and tax is payable by the estate unless there is a surviving spouse who can make an election to take over the obligation.

Life Long Learning Plan (LLP)

The LLP allows you to finance a full time training or education program by withdrawing up to $10,000.00 per year from your RRSP, to a maximum of $20,000. The student may be you, your spouse or common-law partner.

- You cannot use the LLP to finance your children's education.
- You do not have to include the amount withdrawn in your income and no withholding taxes will apply.
- The funds withdrawn must be repaid to your RRSP over a period no longer than 10 years. Any amount that is not repaid when due will be included in your income for that year.
- If you repay more than you have to for a year, the amount you have to repay in following years will be reduced accordingly. To calculate the amount you have to repay for the year, divide your LLP balance by the number of years left in your repayment period.
- The RRSP contribution limit does not change as a result of the LLP withdrawal and contributions may continue after an LLP withdrawal.
- There is no limit on the number of times you can use the LLP over your lifetime. Starting in the year after you bring your LLP balance to zero, you can use the LLP again and withdraw up to $20,000.00 over a new qualifying period.
- You can keep withdrawing amounts from your RRSP until January of the fourth year after the year of your first withdrawal.
- There are certain situations where the repayments have to be made in less than 10 years such as death, becoming a non-resident, or reaching 69 years of age.

Maturity Options

A RRSP has to be matured by December 31 of the year the annuitant turns 69 years of age. At that time, there are three options or a combination thereof available:

1. Cash out the plan

   The full value will be added to your income for the year and taxed accordingly. This is not a good idea unless you have a very small plan.

2. Use the proceeds to purchase an annuity

3. Convert the plan to a RRIF

Annuities

An annuity is a fixed stream of payments. When you buy an annuity, you turn over your money to a life insurance company or financial institution. In return, they promise to pay you a set amount periodically. That amount is largely based on the type of annuity, your life expectancy and interest rates at the time you purchase the annuity.

You can select a life annuity, which pays income for as long as you or your spouse lives (in case of joint and last survivor), or a term certain annuity where payments continue for a fixed term up to age 90.

Think very carefully before committing to an annuity because once you do so, the payments cannot be changed. You would have essentially locked-in the rate of interest at that time. Moreover, a life annuity has no estate value for your heirs unless you accept less income to guarantee a set number of payments and die within the guaranteed period.

You may want to consider an annuity under the following circumstances:

- you want a set level of income guaranteed for life or for a fixed period
- you do not want to make ongoing investment decisions
- you are not concerned about inflation
- you will not need extra money for special purchases
- you are not concerned about leaving an estate for your heirs

Registered Retirement Income Funds (RRIFs)

RRIFs are the most popular RRSP maturity option because they are quite flexible. Allowing for continued deferral from taxes, they are really RRSPs in reverse. Instead of putting money in every year, a minimum amount is withdrawn every year. The investor retains control over all investment decisions.

RRIFs must be set up through transfers from RRSPs. This can be done at any time but is usually done in the year that the investor turns 69, when the RRSP must be terminated. In the case of a spousal RRSP, a spousal RRIF must be set up. The plan holder remains the same and it is he or she who receives and must declare the income payments.

Each year, a minimum amount must be withdrawn. This amount differs and must be calculated at the beginning of each year. All required minimum withdrawals are subject to income taxes (in the year of the withdrawal) but not withholding taxes.

There is no minimum amount that must be withdrawn in the first year of a RRIF's existence. Accordingly, any withdrawals made in the first year are subject to withholding taxes.

Investors may withdraw more than the required minimum. Excess withdrawals are subject to withholding taxes. Non-residents must pay withholding taxes unless there is a tax treaty with that country.

You should consider a RRIF in the following cases:

- you want to be able to vary your income at any time to meet special needs and minimize tax
- you want control over how the money is invested
- you want to benefit from foreign investments. RRIFs have the same foreign content rules as RRSPs
- you want to offset inflation by having the potential for long-term growth
- you want to leave an estate for your beneficiaries

Locked-In Registered Plans: LRSPs and LIRAs

LRSPs and LIRAs are investment vehicles that can be used to transfer pension fund assets once employment with the pension provider is terminated. LRSPs and LIRAs are typically governed by the same legislation that governs the pension plan from which the assets were transferred. LRSPs usually fall under federal legislation while LIRAs usually fall under provincial legislation.

Why are funds locked-in?

When an employee with a pension plan terminates his or her employment, the pension benefits acts permit the employee to transfer vested pension benefits to an acceptable alternative plan. Since most pension benefits are locked-in, the alternative plan must also be locked-in. Thus, the locking-in provisions ensures that the characteristics of the pension plan are maintained and provides the annuitant with an income stream similar to that the pension fund would have paid upon retirement.

Locking-in restrictions

Restrictions on locked-in accounts are set out in a "locking-in" addendum that must be included with the LRSP/LIRA or LIF application.

Typical restrictions:

- The funds may not be withdrawn, commuted or surrendered prior to maturity (as determined by the applicable pension legislation), except to transfer to another acceptable locked-in vehicle. At maturity, the funds must be used to provide the former pension plan member with a pension that will continue for life, or jointly for the member and the spouse's lives.
- The benefits may not be assigned.
- Locked-in funds may not be co-mingled with non-locked-in funds or with locked-in funds of another jurisdiction. Separate accounts are required.

Other provisions include stipulations on withdrawals for financial hardship, shortened life expectancy, non-residency and other permissible transfers.

LRSPs/LIRAs must be converted to an income fund according to the pension legislation that governs them.

Life Income Funds (LIFs)

LIFs are investment vehicles intended to disperse the assets that have accumulated in a locked-in RSP (LIRA or LRSP). Like a RRIF, a LIF has a minimum amount that must be withdrawn every year. However, in contrast to an RRIF, a LIF also has a maximum withdrawal limit per year.

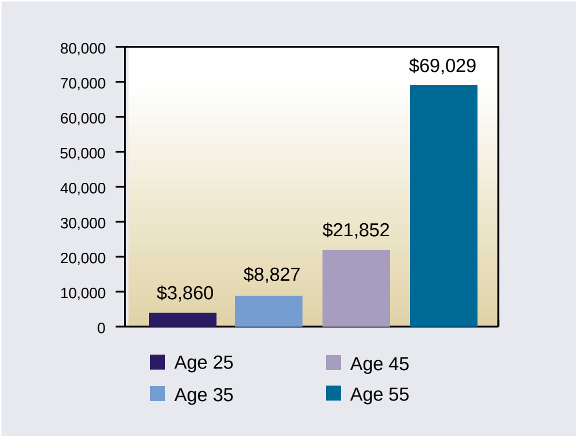
Payments from a LIF must begin no later than the end of the year following the year that the LIF was created. There is no required minimum amount that must be withdrawn during the first year.

Minimum required payments are calculated the same way RRIF minimum payments are calculated. The amounts are based on the LIF account balance on 1 January of each year, and the investor's age. No withholding taxes apply to withdrawals of the minimum amount.

The maximum amount that can be withdrawn is a percentage of the amount in the plan and is designed not to quickly exhaust the balance in the plan. Any remaining balance in the LIF must be transferred to an annuity by the end of the year in which the investor turns 80 years of age.

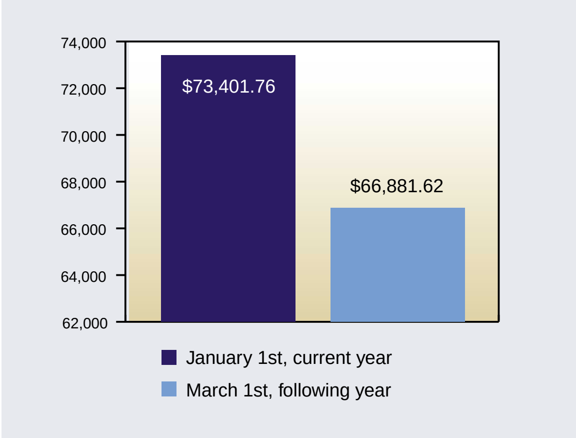
RRSP Planning Tips

Here are a few tips that will help you create your own financial plan for your future. A well thought out strategy today, mean that the resources you and your family require in the years to come will be there for you to enjoy.



1 Contribute early in your career

Contributing early in your career magnifies the power of tax-deferred compounding. To illustrate this point, Chart 3 shows the required annual contribution levels for an investor who starts their RRSP contributions at various ages, if that investor wishes to retire at age 65 years with $1,000,000 in their RRSP, and assuming an 8% annualized compound rate of return.



2 Contribute early in the year

Making your contribution as early in the year as possible gives your contribution that much more time to grow tax-deferred. Chart 3 shows what a $10,000 contribution made on January 1st of the current year and earning 8% annualized return would be worth 25 years from now compared to the same amount made on March 1 of the following year.

3 Consider contributing securities you already own

If you do not have sufficient funds, consider transferring securities you already own into your self-directed RRSP. You will obtain a deduction equal to the market value of the securities at the time of transfer.

Note that a transfer of securities can trigger capital gains or losses since this is a deemed disposition. While capital gains will be subject to taxation, you cannot claim any resulting capital losses. It is therefore better to sell such securities, get the capital loss, contribute the cash and repurchase the security within your RRSP. The superficial loss rules would not apply in this case because it is your RRSP that is reacquiring the security.

4 Swap securities with your non-registered accounts

Where possible, you should hold interest-earning securities inside your RRSP (tax-deferred compounding) and growth securities outside (since capital gains will be taxed as ordinary income upon withdrawal from a RRSP).

You can swap securities between your RRSP and non-RRSP accounts to accomplish this or another desired effect such as swapping cash out of your RRSP to purchase non-RRSP eligible securities. Swapping involves replacing a security in your RRSP with another of equal value from outside your RRSP. Keep in mind that the transaction will be considered a deemed disposition for the non-registered investment with the resulting capital gains being taxable, and capital losses denied.

5 **Use your $2,000 allowable over contribution limit**
If you have already maximized your RRSP contribution, consider contributing an additional $2,000. Although this amount is not tax deductible, and would be subject to taxation upon withdrawal, you can enjoy the tax-deferred compounding from this amount in the RRSP and deduct it in future years when you do have the contribution room.

6 **Consider contributing to your RRSP instead of a defined contribution RPP**
If you are making voluntary contributions to your defined contribution RPP, consider contributing to a RRSP instead, as the RRSP typically gives you much greater flexibility in investment choices.

7 **Make a last contribution before you RRIF**
A RRSP has to be collapsed or transferred to a RRIF by the end of the year the annuitant turns 69 years old. If you are turning 69, have no contribution room but expect to have earned income in that year, over contribute to your RRSP an amount equal to the contribution room you expect to create for that year. If you make the over contribution in December, you will not pay the 1% per month penalty since you will transfer to an RRIF before month-end, and you can deduct the contribution when you prepare your tax return for that year.

8 **File an income tax return for your children who are employed**
Even if a child is working part time or a summer job and does not have any taxes to pay, having them file a tax return allows them to build up RRSP contribution room so that in the future, when they do earn higher incomes, they can use this additional room.

RRSP Planning Tips (continued)

9 Make the most of your retiring allowance
If you leave your job, part or all of your severance payment may qualify as a retiring allowance even if you are not retiring. That amount can be rolled over into your RRSP on a tax-deferred basis, without affecting your normal contribution limit.

10 Name your spouse as your RRSP beneficiary
If you name your spouse as the plan beneficiary, when you die, your RRSP will roll over to your spouse's RRSP or RRIF with no tax implications. Otherwise, the whole amount will be taxed in the hands of your estate. If you have no spouse, you can name a child or grandchild who is under 18 and financially dependent as discussed earlier in the brochure.

11 Consolidate your RRSPs
Aside from the convenience, this can enhance your ability to take advantage of the allowable foreign content room.

12 Set up a spousal RRSP
If you expect that your spouse will have less income than you at retirement or earlier time, setting up a spousal RRSP can result in significant tax savings in the future.

13 Make spousal RRSP contributions in the same year
Make your spousal RRSP contribution by December of the same year instead of the first 60 days in the following year. This will shorten the period during which you will be liable for the taxes in case your spouse withdraws these funds.

14 Withdraw funds from your RRSP in low income years
The goal with a RRSP is to have income taxed during retirement when your marginal tax bracket is lower than during your active employment. However, the principle can be applied to take advantage of variations in your income prior to retirement. Also, if the RRSP is small and you are close to retirement, consider whether the resulting income stream at retirement is relatively insignificant but large enough to lead to claw backs in your government benefits.

15 Consider holding your own mortgage through your RRSP
It is possible to arrange for your own mortgage to be held in your self-directed RRSP. In other words, your plan lends you the money to purchase your home, and you make your tax-deductible mortgage payments to your RRSP. However, there are various considerations and costs associated with this, and in some cases, you may not be better off doing so.

16 Use the tax refund to pay down your mortgage
Maximizing your RRSP contributions as opposed to using the money to pay down the mortgage is generally the better option. First, your return on the mortgage pay-down equals the interest rate you pay on your mortgage. In today's low interest rate environment, you can probably make more on your RRSP investments. Second, you forego the current tax savings on a RRSP contribution. Third, it does not have to be either/or. You could make a contribution to your RRSP and use the tax refund it generates to pay down your mortgage.

17 **Consider using the HBP**

If you need the funds to help you purchase your first home, and you can afford to make the repayments, the HBP can be of great help. However, one cost to using the HBP is the loss of tax-deferred compounding, although this has to be weighed against the benefit of reducing the mortgage interest, which is paid from after-tax dollars.

18 **Consider delaying the purchase of your first home**

If you are considering purchasing your first home late in a year, you may want to consider delaying the purchase until early the following year. Since you are required to start repayments the second year following the year of withdrawal, you can delay repayments by one whole year.

Moreover, if you are planning to buy a new home and you are close to the four-year limit to re-qualify as a first time buyer, consider waiting until then.

Finally, if you are thinking of using your RRSP to the fullest, make your contribution early enough so that it can sit in your plan for more than 90 days before making your withdrawal.

Readers are advised that the information contained in this publication is a guide only and does not constitute tax advice. Readers are urged to obtain independent advice from a qualified tax advisor.

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