

RRSP Catch-Up Loan Projection 9.0% Interest, 9.0% Returns

Prepared by A Trusted Financial Advisor, ABC Financial Group

October 15, 2003

Assumptions

- Have at least \$4,289 of after-tax annual cashflow to invest over 10 years
- 40.0% average marginal tax rate and sufficient RRSP contribution room to deduct RRSP contribution produced by strategy
- All returns and interest expenses are effective compounded annual before-tax rates

RRSP Catch-Up Loan

- Can borrow and invest \$50,000 in RRSP now
- Deep in 40% tax bracket, producing \$20,000 refund that immediately reduces loan to \$30,000, which is paid off over 10 years with annual payments of \$4,289, assuming 9.0% non-deductible loan interest

Annual RRSP Spend Refund Strategy

- Invest \$4,289 at the start of each year into RRSPs and spend the refunds

Annual RRSP Reinvest Refund Strategy

- Invest \$4,289 and the 40.0% refunds into RRSPs at the start of each year, for a total annual contribution of \$6,004.08

Annual Gross-Up Refund Strategy

- Invest \$7,147.71 before-tax in RRSP at the start of each year; after-tax cost of \$4,289

Annual Projections for Returns of 9.0%

End of Year	Catch-Up Loan		Annual, Spend Refund			Annual, Reinvest Refund			Annual, Gross-Up Refund		
	Contrib.	RRSP Val.	Contrib.	RRSP Val.	% Incr.	Contrib.	RRSP Val.	% Incr.	Contrib.	RRSP Val.	% Incr.
1	50,000	54,500	4,289	4,675	-91%	6,004	6,544	-88%	7,148	7,791	-86%
2	0	59,405	4,289	9,770	-84%	6,004	13,678	-77%	7,148	16,283	-73%
3	0	64,751	4,289	15,324	-76%	6,004	21,453	-67%	7,148	25,540	-61%
4	0	70,579	4,289	21,378	-70%	6,004	29,929	-58%	7,148	35,629	-50%
5	0	76,931	4,289	27,976	-64%	6,004	39,167	-49%	7,148	46,627	-39%
6	0	83,855	4,289	35,169	-58%	6,004	49,236	-41%	7,148	58,614	-30%
7	0	91,402	4,289	43,008	-53%	6,004	60,212	-34%	7,148	71,681	-22%
8	0	99,628	4,289	51,554	-48%	6,004	72,175	-28%	7,148	85,923	-14%
9	0	108,595	4,289	60,868	-44%	6,004	85,215	-22%	7,148	101,447	-7%
10	0	118,368	4,289	71,021	-40%	6,004	99,429	-16%	7,148	118,368	0%

Notes

- % Incr. is the percentage increase relative to the Catch-Up strategy
- Projections are NOT GUARANTEED. Actual results will vary, perhaps significantly.