

RRSP Catch-Up Loan Analysis Summary

Prepared by A Trusted Financial Advisor, ABC Financial Group

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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

RRSP Value After 10 Years

RRSP Return	RRSP Catch-Up 9% Loan	Annual, Spend Refund	Annual, Reinvest Refund	Annual, Gross-Up Refund
0.0%	50,000	42,886 <i>(-14%)</i>	60,041 <i>(20%)</i>	71,477 <i>(43%)</i>
3.0%	67,196	50,639 <i>(-25%)</i>	70,895 <i>(6%)</i>	84,399 <i>(26%)</i>
9.0%	118,368	71,021 <i>(-40%)</i>	99,429 <i>(-16%)</i>	118,368 <i>(0%)</i>
12.0%	155,292	84,291 <i>(-46%)</i>	118,008 <i>(-24%)</i>	140,485 <i>(-10%)</i>

We, the undersigned, have reviewed and confirmed that these assumptions reflect the client's situation. We understand that these projections are NOT GUARANTEED, and that borrowing to invest can help or hurt investors, depending on the actual returns interest costs, time invested, client behaviour during the down markets, etc.

Client's signature

Spouse's signature

Date

Advisor's signature

Manager's signature

Date