



RRSP and investment loans: Strategies for building wealth

RBC Guaranteed Investment Funds

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RRSP and investment loan strategies for building your clients' wealth

Most of us agree that RRSPs are the best place to start when deciding how to save for retirement. We'd like to help your clients reach their retirement goals sooner and get the most out of their investments.

When used to its full advantage, an RRSP can be a powerful wealth-building tool, allowing your clients to reduce their annual taxes while also helping them to increase the value of their investments. An RRSP loan can help clients get their retirement savings plan on track to build wealth for their future. If your clients have maximized their RRSP contribution room, an investment loan might also be a good strategy.

Should your clients borrow to contribute to an RRSP?

Let your clients know that they should always consider making the maximum RRSP contribution allowable. This could mean having to borrow money to make the contribution.

It's important to explain to your clients that although interest on the loan will not be deductible for tax purposes, the taxes they will save on the RRSP contribution and on the earnings in their RRSP will generally be higher than the interest they may have to pay. And if they receive a tax refund, they can use this to repay a portion of the loan.

It's a good idea to sit down with your clients every year to review their financial situation, taking into consideration the cost of borrowing funds.

RSP loans — catch up or top up?

Getting caught up with an RSP loan is an easy way for your clients to keep their retirement savings plan on track. But there are two ways to achieve this goal, and your clients rely on you for advice to help them choose the right strategy for their situation.

Top-up loan

Let's say your clients have room to contribute \$15,000 to their RRSP but only have \$10,000 to invest. Let them know they can borrow the extra \$5,000 to top up their RRSP. This way you're helping them get the most out of their contribution limit. Then, they can use any tax refund they receive to help pay off all or part of their loan.

Catch-up loan

Let your clients know about loans of a greater dollar value used to catch up on their RRSP if they haven't been able to contribute their maximum amount for a while. If they have \$30,000 of room and take out a loan for \$30,000, assuming they are in a 50% tax bracket and don't owe any income taxes, they can then use their \$15,000 refund to pay back a portion of the loan. The rest of the \$15,000 would be paid off at most likely prime plus a competitive interest rate over a few years.

Do you have clients who

- Possess unused RRSP room
- Earn reasonably high income
- Have secure employment
- Have only a small amount of debt or are working to reduce debt
- Sustain good cash flow
- Have concerns about taxes

These clients may be good candidates for an RSP loan.



Do you have clients who have maximized their RRSP contribution room?

If yes, consider them for an investment loan. With an investment loan, your client can borrow money to invest in a non-registered account. It's a great way to grow non-registered savings and potentially save taxes.

An investment loan is not for everyone, but for the right client it is a powerful strategy. Your clients don't have to be wealthy to consider this strategy; in fact some use this strategy as a way to become wealthy.

Do you have clients who

- Have a high risk tolerance
- Are financially secure
- Use and seek tax-efficient strategies
- Have a 10-year minimum time horizon for the investment
- Have little to no deductible debt
- Have stable cash flow
- Have maxed out their RRSPs

These clients may be good candidates for an investment loan.



RBC Guaranteed Investment Funds investment options

By investing in RBC® Guaranteed Investment Funds (RBC GIFs), your clients can enjoy the confidence that comes from having their hard earned assets well protected through principal guarantees.

To help meet the needs of your clients, RBC Life Insurance Company has selected 26 leading underlying mutual funds and four portfolios from the RBC Global Asset Management Inc. lineup for our segregated funds. They address the risk tolerance levels and investment objectives of different types of clients.

With proceeds from a loan, your clients have the opportunity to invest in the full lineup of RBC GIFs.

For more information on leveraged lending, please refer to the marketing materials available on the Sales Resource Centre.

It is important that an investor proposing to borrow for the purchase of investment funds be aware that a purchase with borrowed monies involves greater risk than a purchase using cash resources only. To what extent a purchase using borrowed monies involves undue risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the investment funds purchased.

Put a loan program to work for your clients

When sitting down with your clients, show them how a loan program can be a powerful wealth-building tool for their RRSP strategies. Help your clients reach their retirement goals sooner by getting the most out of this year's RRSP room. And show them how they can build even more wealth if they've maxed out their RRSP contribution limit.

Call to find out more today

Speak to your sales consultant:

MGA: 1-866-235-4332

IIROC/MFDA: 1-888-770-2586, option #3



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RBC Guaranteed Investment Funds are individual variable annuity contracts and are referred to as segregated funds. RBC Life Insurance Company is the sole issuer and guarantor of the guarantee provisions contained in these contracts. The underlying mutual funds and portfolios available in these contracts are managed by RBC Global Asset Management Inc. When clients deposit money in an RBC Guaranteed Investment Funds contract, they are not buying units of the RBC Global Asset Management Inc. mutual fund or portfolio and therefore do not possess any of the rights and privileges of the unitholders of such funds. Details of the applicable Contract are contained in the RBC GIF Information. Folder and Contract at www.rbcinsurance.com/segregatedfunds.