

Presentation on 100 Huntley Street February 2: Registered Retirement Savings Plans (RRSPs)

Today I will review an aspect of Registered Retirement Savings Plans (RRSPs).

I suggest four preconditions before your RRSP decision:

1. Accept your role as decision maker directed by Christ.
2. Understand the difference between an adviser and a salesperson.
3. Understand enough to question your adviser.
4. If married, both husband and wife should understand the issues

What is an RRSP?

It's a savings plan, registered with the Canadian Federal Government to produce retirement income. It's merely tax-deferred savings for retirement. Let's look at the effect of depositing \$ 1000 in an RRSP account.

1. In 2005, you deposit \$1000
2. Your top tax rate is 40%
3. In 2006, you will get \$ 400 tax refund ($\$1000 \times 40\%$), provided your tax liability is more than \$400.
4. Your net cost is \$600 ($\$1000 - \400)

Although the net cost will be \$ 600, you will earn tax-free income in the RRSP on \$ 1000 deposited. This is an important difference between an RRSP and regular savings. Let's look at the effect of withdrawing \$ 1000 at age 69 when you must close the plan, or earlier.

1. Withdraw \$1000
2. Top tax rate is 40%
3. Pay \$400 taxes ($1000 \times 40\%$)
4. Receive \$ 600 ($\$1000 - \400)

So, what's the fuss with RRSPs?

Recall the anatomy of the money transaction: me, the merchant and money—me being the variable I control, and money being the bridge.

RRSPs are big business for merchants who entice you to buy, and sometimes provide the bridge. Besides, they convince you they are your advisers. Often, a salesperson will advise you to borrow to buy an RRSP and you forget this person isn't your adviser and unconsciously succumb to the sales pitch as your wants, needs, and greed nature overwhelm you.

That's why, throughout this journey I have stressed the right ABC's—attitudes, behavior, and choices—and the need to understand the 3-M's of the money transaction, as essential to control our wants and needs and to help crucify our greed nature. Always review every proposed spending through these two aids: the ABC's and 3-Ms.

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For RRSPs, the right attitude is first to understand God's plans. So, it's essential you review your RRSP decision within a retirement strategy that Jesus directs.

Retirement promoted by merchants, isn't Biblical. Except for a temporary arrangement before Solomon built the temple, nobody in the Bible retired. God's call on our lives is not age dependent. Just look at Abraham and Sarah!

But the Bible is clear sometimes we should provide for periods of famine from periods of excess. In Proverbs 6:6-8 we see an example of saving for the predicable:

Proverbs 6:6-8

Go to the ant, you sluggard; consider its ways and be wise! It has no commander, no overseer or ruler, yet it stores its provisions in summer and gathers its food at harvest.

Though we must save for retirement when Jesus directs, we mustn't depend on these savings for our security. That's the wrong reason to save.

Then again, God may ask us to give all current earnings to His Kingdom and depend on Him to supply our needs later! It's His call! If He tells you to save for retirement, obey. Similarly, if He asks you to invest in His Kingdom and store treasures in heaven, obey!

One reason for retirement planning is to identify and fill the gap between your estimated retirement income and your estimated retirement expenses. An RRSP is just one potential source to fill that gap. Ask the Lord for wisdom to decide RRSP's role in your retirement planning and to lead you to an independent adviser.

Next time, we ask: Are you in a financial COMA?
God bless and remember Jesus loves you.