Saving for your retirement

Please note that this guide is for CONCEPTUAL information to understand retirement planning in general. Not all content will fall within the Islamic guidelines.
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Dynamic Funds™
Invest with Advice.

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Establish your retirement goals

Enjoying a successful retirement means different things to different people. Whether you want to travel, take up new hobbies or spend more time with your friends and family, it is important to have a plan to ensure that you have a comfortable retirement.

The concept is simple: if you put some of your income in an RRSP, it grows tax free until withdrawn. The purpose of an RRSP is to decrease your taxable income and defer tax payments on your investment until retirement.

Registered Retirement Savings Plan (RRSP)

An RRSP is one of the most beneficial – yet underutilized – methods of saving for a comfortable retirement. By contributing to an RRSP, the Canadian government allows you to defer taxes while you build up a solid nest egg. Your financial advisor can help you build a strategy based on your individual needs to help you create the retirement you have always imagined.

RRSP options

Below are the common types of plans that you can discuss with your financial advisor.

INDIVIDUAL RRSP

The Individual RRSP is the most common type of RRSP and is registered in the name of the contributor. The contributor makes payments to the plan and then uses the contribution to reduce personal income taxes. When funds are withdrawn from this plan, the money is taxed in the hands of the contributor. The contributor owns the funds within the plan and benefits from the compounded growth potential and tax savings.

SPOUSAL RRSP

The Spousal RRSP is designed to assist couples with unequal savings or income. Commonly known as income splitting, it shifts some household retirement savings from the spouse with the higher income and tax rate to the spouse with the lower income and tax rate. The higher tax bracket partner (contributor) puts money in a plan under the lower tax bracket partner's (annuitant) name. The contributor receives the tax deduction, but the money belongs to the annuitant who controls the investment decisions.

GROUP RRSPs

Group RRSPs are offered through many employers and are a group of personal RRSPs that are administered by the employer's financial organization on behalf of its employees. The employer arranges to have payroll deductions for employees in the Group RRSP. An employer can also contribute to the plan on behalf of the employee and may decide to restrict withdrawals while the employee works for the company.

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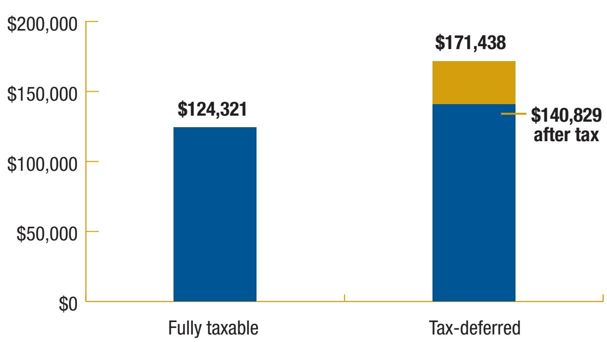
Benefits of an RRSP

Current tax savings

Like most tax shelters, RRSPs allow you to defer income tax. The goal is to deduct your RRSP contributions while your income is subject to a high tax rate and withdraw the funds at a time when your income may be lower and subject to a lower tax rate. Your income and growth are only taxed when your savings are "deregistered" or withdrawn from your RRSP.



This graph shows the difference between a fully taxable investment and a tax-deferred investment.

SUMMARY		
	Fully taxable	Tax-deferred
Investment balance	$25,000	$25,000
Annual contributions	$1,200	$1,200
Number of years projected	20	20
Before-tax return	8.0%	8.0%
Tax bracket	25%	25%
After-tax return	6.0%	n/a
Future value	**$124,321**	**$171,438**
Future value (after tax)	**$124,321**	**$140,829**

For hypothetical use only

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Tax-advantaged earnings

RRSPs allow you to deduct the amounts contributed to your (or your spouse's) plan from your taxable income. Earnings accumulated in an RRSP are also tax sheltered, meaning no tax is paid on any investment income, dividends or capital gains you achieve on holdings within your RRSP.

COMPOUNDED GROWTH

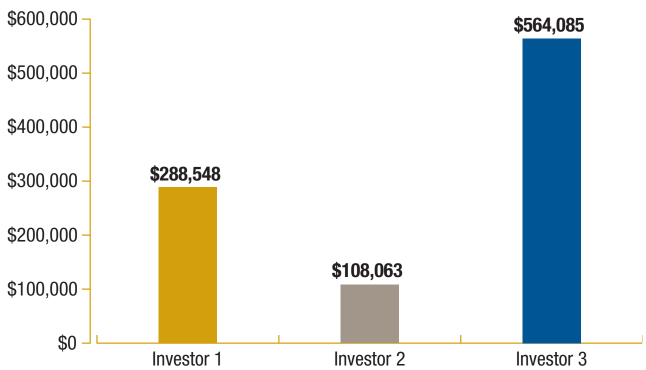
With compounded growth, all the financial gains achieved within your RRSP are allowed to grow without the hindrance of taxes.

The chart* below illustrates how money contributed on a regular basis benefits from compounded growth. Although Investor 1 contributed for a shorter period than Investor 2, Investor 1 still accumulated more savings due to compounding.

That said, Investor 3 demonstrates that investing earlier and spending as much time in the market as possible is clearly the most advantageous.

Compounding makes a life-long difference.

INVESTOR 1	INVESTOR 2	INVESTOR 3
Invests $1,000 a year from age 18 to 27 (invests for 10 years)	**Invests $1,000 a year from age 40 to 64 (invests for 25 years)**	**Invests $1,000 a year from age 18 to 65 (invests for 48 years)**
$288,548	**$108,063**	**$564,085**



*This graph assumes a consistent annual 6% rate of return with $1,000 contributions made at the beginning of each year. Investment growth and final results do not consider any transaction costs, fees or taxes. This represents a hypothetical investment and is for illustrative purposes only. It is in no way to be considered indicative of any guaranteed performance an investor can expect to achieve. The actual annual rate of return and value will fluctuate with market conditions.

Flexible, long-term investment strategies and diversification

RRSPs offer a lot of flexibility in the choice of investments. Qualified investments range from GICs, mutual funds, bonds, stocks and even mortgages. Those who invest over the long term in an investment portfolio diversified by companies, sector, geographic region or market capitalizations are often better positioned to handle the natural ups and downs of the markets and reach long-term investment objectives. As an important first step, talk to your financial advisor about creating a long-term investment strategy for your RRSP to help build the savings you need to fund your retirement.

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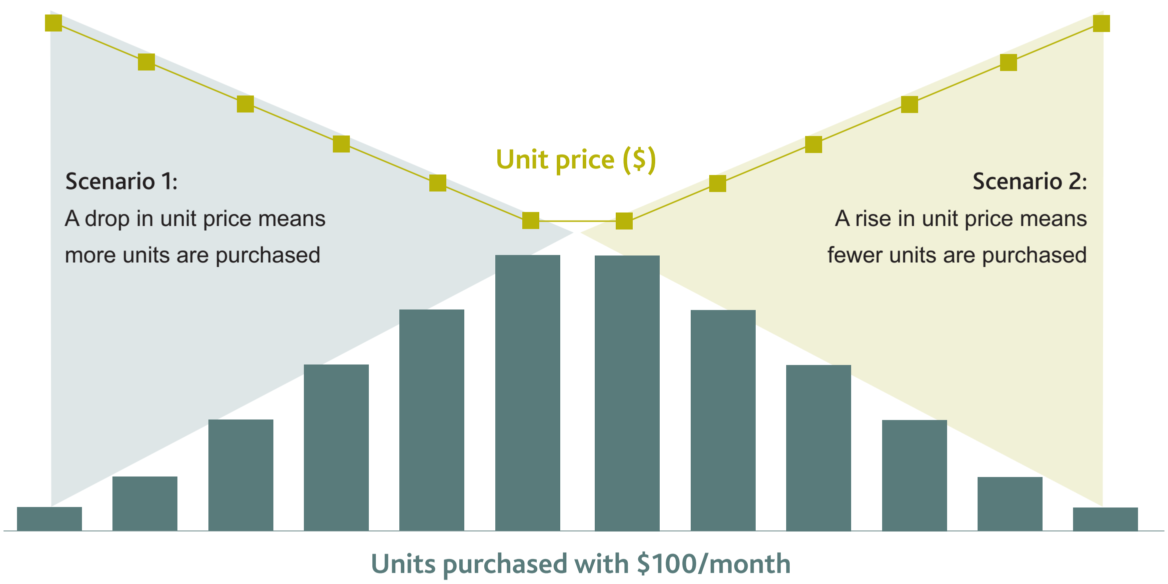
Taming the market beats trying to time it

DOLLAR-COST AVERAGING

The dollar-cost averaging process is a simple discipline to make investing easy. You invest a fixed dollar amount on a regular basis to ensure your investment moves into the market cautiously – unlike an annual lump sum. Over time, this can result in a lower average price and a higher capital gain.

A SIMPLE CONCEPT



DYNAMIC DOLLAR-COST AVERAGING FUND

Dynamic Dollar-Cost Averaging Fund offers Canadians a sound, strategic and systematic method of investing in a variety of Dynamic funds – without the problem of trying to figure out the best time to invest.

Risk control

A scheduled weekly investment program helps separate you from the "cycle of greed and fear" that leads so many people to invest at the wrong time and miss opportunities at the right time.

Security

Holding only government-guaranteed fixed-income securities, Dynamic Dollar-Cost Averaging Fund offers a safe holding pool for your money before it is invested for the long term.

Stay focused

You stay focused on your long-term financial goals – because you are always invested, even in volatile markets.

RRSP rules

Understanding the RRSP rules established by the Government of Canada will help you take advantage of these attractive retirement savings options.

- **AGE LIMIT ON CONTRIBUTIONS**

  The year you turn 71 is the final year you can contribute to your RRSP. If you are taking advantage of a Spousal RRSP, you can contribute until the year your spouse turns 71.

- **OVERCONTRIBUTIONS**

  If you exceed contribution limits, it is categorized as an overcontribution. With a lifetime limit of $2,000, overcontributions will be used prior to any new contributions received in the RRSP.

- **RRSP TRANSFERS**

  You are entitled to open more than one RRSP and are free to move your RRSPs between different institutions as well as between investments in the RRSP, without triggering any tax liabilities.

- **CARRY-FORWARD AMOUNT**

  There is no reason to worry if you have not been contributing to an RRSP, or if you have not had a chance to maximize your contribution room. Revenue Canada allows you to carry forward any unused deduction room from your maximum limit indefinitely. Your carry-forward amount is noted on your Notice of Assessment.

- **WITHDRAWING MONEY**

  In the year you turn 71, you are required to close your RRSP. When it comes time to convert your RRSP savings into a source of retirement income, there are several options available, including rolling your assets into a Registered Retirement Income Fund (RRIF), purchasing annuities or simply making a lump sum withdrawal.

- **IN CASE OF DEATH**

  In the event of death, your RRSP holdings are allocated to the person named as your beneficiary or to your estate – a decision that should be stated in your will. The RRSP earnings will continue to be tax sheltered if:

  - Your surviving spouse is named as your beneficiary, and RRSP earnings are transferred into an RRSP or RRIF in your spouse's name
  - You do not have a surviving spouse but do have children or grandchildren who are minors and are named as your beneficiaries. RRSP earnings will be moved to a term annuity in their names
  - You do not have a surviving spouse but do have children or grandchildren who are financially dependent due to medical conditions. The RRSP earnings will be moved to an RRSP or RRIF in their names

  In all other cases, the earnings on the RRSP will be added as income to your final tax return.

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RRSP questions

HOW DOES A SPOUSAL RRSP WORK?

Contributions to a spousal plan can be made up to and including the year your spouse turns 71, as long as you have previously earned income. You can claim the deduction for a spousal RRSP and the contribution limit is based on your income, not your spouse's. You pay the taxes on withdrawals unless the contributions are held in the plan for at least two years after the end of the year in which the last contribution was made. However, your spouse controls the plan and its assets.

CAN I CONTRIBUTE SECURITIES?

Securities are treated as dispositions at fair market value at the time of contribution. You can contribute now but carry forward the deduction to a later year. Any capital gains are taxable in the year that you dispose of the security. Capital losses are deemed to be nil.

CAN I SWAP SECURITIES BETWEEN ACCOUNTS?

Swapping between registered and non-registered accounts can be done at the fair market value of the securities swapped. It is a good idea to hold interest-earning securities inside your RRSP (for tax-deferred compounding) and growth securities outside (since capital gains will be taxed as ordinary income upon withdrawal from an RRSP).

IS THERE A FOREIGN CONTENT LIMIT?

The foreign content limit was removed in 2005.

WHAT IS A PENSION ADJUSTMENT?

A pension adjustment 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.

For information on contributions and withdrawals, please see the insert on the back page.

RRSP questions (continued)

WHAT IS AN ANNUITY?

An annuity is a fixed stream of payments. When you buy an annuity, you pay a life insurance company or financial institution a lump sum. In return, you are paid a set amount periodically for the rest of your life.

WHAT IS A REGISTERED RETIREMENT INCOME FUND (RRIF)?

RRIFs are the most popular RRSP maturity option because they are quite flexible. They are really RRSPs in reverse because they allow for continued deferral from taxes. Instead of putting money in every year, a minimum amount is withdrawn every year. Typically, converting an RRSP into an RRIF is the most advantageous option, since this allows you to avoid the massive tax burden that a lump-sum withdrawal generates. An RRIF also allows you to maintain control of the holdings within your registered plan, which means that you can continue buying and selling different investment options as you see fit.

WHAT ARE LOCKED-IN RSPs (LRSPs) AND LOCKED-IN RETIREMENT ACCOUNTS (LIRAs)?

LRSPs and LIRAs are locked-in plans that can be used to transfer pension fund assets once employment with the pension provider is terminated.

WHAT IS A LIFE INCOME FUND (LIF)?

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

WHAT IS A RETIRING ALLOWANCE?

It is a lump-sum payment made by an employer to an individual upon termination of employment. 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.

WHAT IF I NEED MONEY NOW?

In case of financial emergencies, you may need to withdraw money to meet financial needs. Please see the RRSP fact insert regarding withdrawals.

The Dynamic Funds advantage

Dynamic Funds is a leading Canadian investment company offering comprehensive investment services that cover the entire spectrum of choice, including mutual funds, tax-advantaged products and high-net-worth programs. For over 50 years, Dynamic Funds has been a financial industry pioneer, offering professional investment management to the public. Dynamic Funds' reputation is built on a strong commitment to high-quality, professional investment services.

Dynamic Funds has RRSP options to meet your unique investor profile. With Dynamic Funds' long-standing commitment to high-quality, professional investment management, products and services, you can be confident your retirement savings will be ready when you are.

Your financial advisor can help determine your investment objectives as well as your risk tolerance. Your advisor can ensure your RRSP savings are going toward risk-appropriate investments that grow with you. Please speak with your financial advisor today about all the benefits of an RRSP and about including Dynamic mutual funds in your RRSP.

Successful investing starts with good advice

At Dynamic Funds, we believe that professional advice is extremely important when determining your investment strategy. A financial advisor can help you sort through your goals to create a plan that is specific to your needs. A financial advisor will also tailor your investments to match your risk tolerance. Ask your financial advisor about including Dynamic funds in your RRSP.

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Ask your financial advisor for more information on how Dynamic Funds can help you meet your investment goals.

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