

RRSP Catch-Up Loan Projection 5.0% Interest, 7.0% Returns

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Assumptions

- Have at least \$1,430 of after-tax annual cashflow to invest over 5 years
- 35.0% 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 \$10,000 in RRSP now
- Deep in 35% tax bracket, producing \$3,500 refund that immediately reduces loan to \$6,500, which is paid off over 5 years with annual payments of \$1,430, assuming 5.0% non-deductible loan interest

Annual RRSP Spend Refund Strategy

- Invest \$1,430 at the start of each year into RRSPs and spend the refunds

Annual RRSP Reinvest Refund Strategy

- Invest \$1,430 and the 35.0% refunds into RRSPs at the start of each year, for a total annual contribution of \$1,930

Annual Gross-Up Refund Strategy

- Invest \$2,200 before-tax in RRSP at the start of each year; after-tax cost of \$1,430

Annual Projections for Returns of 7.0%

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	10,000	10,700	1,430	1,530	-86%	1,930	2,065	-81%	2,200	2,354	-78%
2	0	11,449	1,430	3,167	-72%	1,930	4,275	-63%	2,200	4,872	-57%
3	0	12,250	1,430	4,919	-60%	1,930	6,640	-46%	2,200	7,567	-38%
4	0	13,108	1,430	6,793	-48%	1,930	9,170	-30%	2,200	10,450	-20%
5	0	14,026	1,430	8,798	-37%	1,930	11,878	-15%	2,200	13,536	-3%

Notes

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