

Scotia RRSP Catch-Up™ Loan

Maximizing your RRSP contribution each year can be a challenge at certain stages of life. Buying a home, raising a family, or meeting other financial obligations can result in the build up of unused RRSP contribution room.

Government legislation now allows individuals to carry forward all unused contribution room which has accumulated since 1991 indefinitely. To assist investors in taking full advantage of this opportunity, ScotiaMcLeod's parent company, Scotiabank, has created the RRSP Catch-Up™ Loan. It's a great to maximize your annual contribution limit and utilize unused contribution room which may have built up when you were meeting other financial commitments.

With the Scotia RRSP Catch-Up™ Loan, you can borrow up to \$50,000 at rates as low as Prime. You also have the option of repaying the loan over up to 15 years and deferring your first payment for up to four months. In addition, you can arrange for flexible, manageable monthly payments and use your tax refund to reduce the principal owing.

Consider the following scenario which illustrates the benefit of borrowing \$15,000 with the intent of repaying it over a 10 year period at a loan rate of 4.75%. You'll see that if you apply your tax refund against the loan, the loan can be paid off in just over 5 years.

1. You borrow \$15,000
2. Tax refund allows you to pay back \$6,000 of the loan
3. Your principal is reduced to \$9,000. With interest added, the total you pay back is \$10,348.
4. Your make monthly payments of \$157.
5. After 5 years, your \$15,000 is worth \$21,534.00. After 25 years, your \$15,000 investment is now worth \$91,475.00.

Scenario assumptions:

1. Investor is in 40% marginal income tax bracket and is eligible for a \$6,000 tax refund used to pay down the loan.
2. Loan is amortized over 10 years and the loan rate in this example is 4.75%. Actual rate may vary and is fixed for each term of the loan (1-5 year terms are available).
3. Tax refund is used to pay down principal. Prepayment occurs at the end of the fourth month.
4. RRSP investments earn an average annual compound return of 7.5% in a diversified portfolio.

If you are interested in the Scotia RRSP Catch-Up™ Loan, please contact your ScotiaMcLeod Investment Executive.

* Subject to applicable credit criteria.

** Scotiabank's Prime rate as of September 2, 1997 was 4.75% and is subject to change.