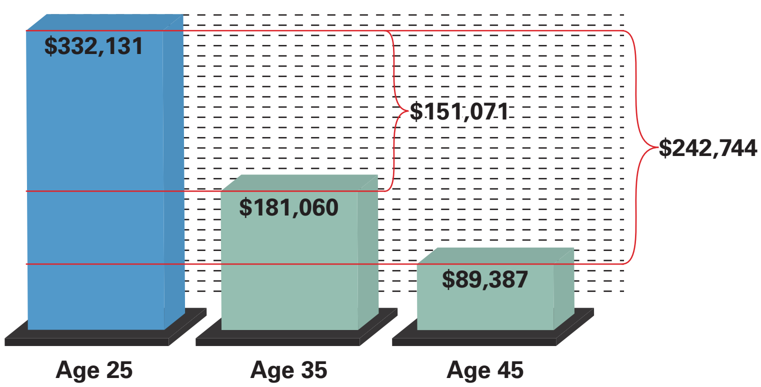
10 Retirement Savings Tips
Make the most of your RRSP contribution

Making the most of your registered retirement savings plan (RRSP) is simpler than you think. Here are some tips to consider before the March 1st, 2018 contribution deadline for the 2017 tax year.

1 Start early and invest regularly

Regular investing puts the power of compound growth on your side. And the earlier you start, the more you may have in the future.



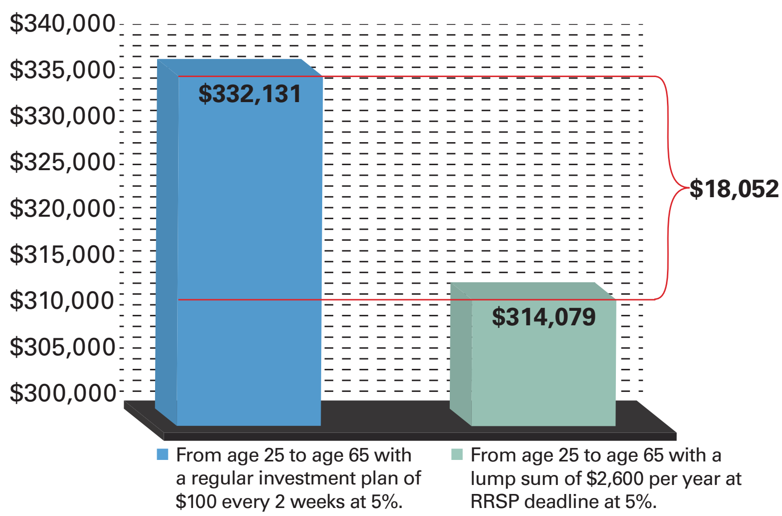
*Imagine three investors, aged 25, 35 and 45, contributing $100 every two weeks until they reach 65. They all earn an annual average return of 5%. The 25 year old ends up over $150,000 wealthier than the 35 year old and almost $250,000 wealthier than the 45 year old.**

No matter when you start, let us show you how a regular investment plan can help you reach your retirement goal.

2 Harness the power of compounding

RRSPs are designed to help build your financial future and your contributions have the added benefit of being tax deductible. By making RRSP contributions on a regular basis (for example, every pay day), you can grow your nest egg faster and even take advantage of potential immediate tax savings.

*By investing regularly throughout the year instead of contributing a lump sum at RRSP deadline, the difference over 40 years could add up to $18,052!**



3 It pays to have a plan

Many people underestimate how much they will need to save to meet their income requirement going into retirement. Having a plan in place and regularly reviewing it against your goals can help avoid unpleasant surprises and last minute scrambles.

4 Consider your options

An RRSP is the typical go-to option for many Canadians saving for retirement. Depending on your circumstances, a Tax-free Savings Account (TFSA) may be another option for you to consider. A TFSA is flexible in the event you need access to emergency funds, and may be more advantageous depending on your tax bracket during your active savings years and going into retirement. For those who have never contributed to a TFSA, the accumulated contribution room may be up to $57,500 in 2018 – and that is expected to continue to grow each year.

* The rate of return is used to illustrate the effects of compounding growth, assuming there are no fees or taxes, and it is not intended to reflect future returns.

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5 Consolidate your registered accounts

Generally, Canadian tax rules allow you to transfer certain registered accounts between financial institutions without triggering a taxable event or affecting your contribution limits. This includes RRSPs, registered pension plan amounts if you are changing employers (may be subject to transfer limits), and some or all of a lump-sum "retiring allowance" received as part of a severance or retirement package. However, in each case you will need to consult your own tax advisors on the application of the detailed transfer rules. Having all your retirement savings in one place makes it easier to keep track of progress against your goal, and can potentially reduce fees and help ensure proper diversification by avoiding overlap in your portfolio.

6 Borrow to maximize your contributions

You can make a contribution over and above your annual limit if you have unused contribution room from previous years. It might be worth considering an RRSP loan[1] to catch up on that unused contribution room if appropriate for your specific circumstances. Your contribution limit for the 2017 year is 18% of your 2016 earned income less any 2016 pension adjustments, up to a maximum of $26,010. The contribution limit is indexed for inflation and will increase to $26,230 for the 2018 tax year. To find out what your personal contribution limit is, check your annual Canada Revenue Agency (CRA) Notice of Assessment or call CRA at 1.800.959.8281 and/or consult with your tax advisors.

7 Take advantage of a spousal RRSP

Too many investors fail to take advantage of spousal RRSPs. If you expect your spouse's income to be considerably lower than yours during retirement, it may be wise to direct your contributions into a spousal RRSP. It's an easy way to split income for tax purposes. Usually, the higher income earning spouse contributes to the spousal RRSP and claims the tax deduction. The funds in the spousal RRSP accumulate free of tax until they are withdrawn by the other spouse (the lower income earner), potentially resulting in tax savings. Note that even after you turn 71, you still have the option of contributing to a younger spouse's RRSP until they turn 71 themselves.

8 Consider an asset mix strategy

Research[2] has shown that asset mix is a key driver of a portfolio's performance. Having the right balance between cash, fixed income, and equities to match both your personal tolerance for risk, your return expectations, and your life stage is very important. HSBC can help you plan for your retirement and discuss solutions that aim to meet your specific needs. Please contact your Relationship Manager for further information.

9 Think global

As Canada makes up only about 3% of global stock market capitalization[3], global investments can play an important role in reducing risk and helping to increase return potential for your investment portfolio. A portfolio made up of several types of investments from different countries may be stronger over the long term – and may be less exposed to extreme market movements – than one that's invested in a single country, asset class or type of investment. That's why a sensible approach for most investors is a globally diversified portfolio that includes Canadian and international stocks, combined with fixed income investments.

10 Defer deductions until a later tax year

Many investors automatically claim a deduction for the amount they have contributed without considering if it might be better to claim it in a future year. Deferring deductions might make sense for those expecting to be taxed at a higher marginal tax rate in the future due to career progression or potential changes to tax brackets. But there is a cost to this approach because the deduction won't apply right away.

Contribute to your RRSP before the March 1st, 2018 deadline

Talk to a Relationship Manager at your local branch

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[1] Borrowing to invest can be a risky strategy that may not be suitable for all individuals; accordingly, you should carefully consider your own situation, risk tolerance and important information provided before making a decision.

[2] Source: "Determinants of Portfolio Performance II: An Update," reprinted from Financial Analysts Journal, 1991.

[3] Source: Morgan Stanley Capital International All Countries World Index, November 30, 2017.

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