## *Maximizing tax benefits of your RRSPs*

RRSPs were discussed at some length in the section on Retirement Planning. For most people, they represent the best and easiest way to practice a tax efficient investment strategy.

*Here are a few suggestions on how you can maximize the tax advantages offered by RRSPs.*

-Make your contributions early in the year so you can maximize the benefit of deferring taxes on income earned within the RRSP

-Consider making an over-contribution of up to $2,000 to your RRSP. Although it won't be deductible from your taxable income, it will add to the tax deferred income earned in your RRSP. And the earlier you do this the better.

-If you are over 69 (remember, you can't make RRSP contributions after 69) and you have earned income, make spousal RRSP contributions if your spouse is under 69

-If your income is unusually low in one year, make your contribution anyway but don't take the deduction until a future year when your income is higher

-Remember that even if you have no earned income in the current year, but do have RRSP room carried forward because of income in the previous year, you can contribute to your RRSP

-Because dividends and capital gains are taxed favourably, consider holding investments that can provide them outside your RRSP and hold interest-bearing assets (which are taxed at your marginal rate) in your RRSP