It's never too soon to start that RRSP

Planners appeal to 'greed factor' to encourage saving

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The Province

Monday, February 12, 2007

It's difficult to think about retirement when you're just getting used to a regular paycheque.

But the earlier you get into the habit of saving for the future, the faster your money will grow.

"When you start contributing to RRSPs early, your savings are worth more than if you make the same contributions later in life," said Bruce Campbell, a certified financial planner and a B.C. regional sales manager for BMO Mutual Funds. "It's the beauty of compounding. With investments, time makes a world of difference."

People in their 20s and early 30s may not be interested in retirement planning, but they are keen to hear how they can see their bank account grow without a lot of work, Campbell said.

The first step is getting them to set up an automatic deduction to a savings account, then showing them how the money will build over time.

"You're definitely not going to motivate 20-year-olds to invest by taking money out their hands and affecting their cash flow," Campbell said. "They like instant gratification, so retirement saving is a hard sell.

"But if you can show them the numbers and how the money builds up, it's almost like getting free money. The greed kicks in."

Although most financial advisers recommend leaving RRSPs alone until retirement, the money can also be withdrawn tax-free to buy a first home or to pay education costs later in life.

"Ideally, you'd like to keep the money in RRSPs to benefit from compounding growth, but you can take it out if you need it," Campbell said.

When Burnaby resident Ben Yuan reached his 20s, his parents encouraged him to plan farther into the future than his next holiday.

"I started putting money into RRSPs when I was 25," said Yuan. "I didn't really have compounding in mind. I wanted to save first to buy my own place and then for the future."

Yuan set up automatic deductions on payday, and after three years of making regular contributions, he doesn't even think about it. And when he gets his income-tax refund, he deposits it directly into his RRSP.

"My parents talked to me about money and not spending everything. It's hard -- there are so many things to do. But I'm hoping to have enough money in 10 years for a good down payment."

Kevin Gebert, a Surrey-based certified financial planner with Partners in Planning Financial Services, said he encourages his younger clients to make RRSP contributions part of their monthly budgets.

"It shouldn't be viewed as an expense -- it's planning for the future," Gebert said.

Even a small monthly contribution of $25 or $50 a month will add up over time, as well as set up a saving habit to last a lifetime, he said. When his clients get used to saving a little of their earnings every month, he suggests increasing the savings amount by $10 every six months or so. If they can't contribute the full amount to RRSPs because their income is too low, he suggests a non-registered investment, instead.

"It all goes back to paying yourself first," Gebert said. "It can be difficult to talk about with young clients -- and it may take a few tries -- but you have to show them the value of investing instead of spending everything they make."

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