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## **PRIORITIZING RRSPs AND TFSAs: WHICH ONE TO CHOOSE AND WHEN?**

**Montréal, January 29, 2010** – Depending on an individual's stage in life and financial situation, there are different options available in view of saving for retirement or for funding a specific plan or project. Two investment vehicles can be particularly beneficial based on a saver's individual circumstances and needs, and Laurentian Bank has some valuable advice to offer concerning TFSAs and RRSPs.

### **For Students and Young Employees**

While it is important to start contributing to an RRSP as early as possible in order to enjoy the benefits of compound interest, the TFSA is an interesting investment vehicle for a student or young adult who does not have to pay a lot of taxes. In fact, individuals in a very low tax bracket should prioritize the TFSA over the RRSP because, in so doing, they can accumulate interest tax free. Subsequently, when they start earning a higher salary, they are free to withdraw the sum invested in the TFSA and deposit it into an RRSP, thus lowering their taxable income and providing them with a tax saving or refund.

Moreover, it is important to note that it is not necessary to be earning income in order to contribute to a TFSA. For example, a student receiving a bursary that they don't immediately need to draw on could invest the money in the short-term to take advantage of interest earned on the investment. At the same time, there are no minimum or maximum limits on TFSA withdrawals. The money is accessible at all times as long as the selected term of the investment vehicle is respected.

### **For More Experienced Investors**

Savers aged between 25 and 50 who foresee retiring in the medium or long-term should use the TFSA as a retirement preparation tool complementary to the RRSP. People within this age bracket are often more professionally active. Therefore, this is the time to be maximizing retirement savings. Individuals who have made the maximum contribution to their RRSP and are not eligible for making any unused contributions can choose the TFSA as a means of saving more. Because the TFSA is an investment vehicle like the RRSP, it is important to consider all the investment products available. For example, investors can purchase securities or bonds, as they would within an RRSP. Such portfolio diversification is just as important when it comes to a TFSA.

If the investor has a short-term project, such as the purchase of a vehicle or travel, the TFSA would also be a smart choice. However, it is important to keep in mind that certain investment products have fixed terms which must be respected. If an investor wishes to save for a trip they plan to take within a year, for instance, a guaranteed investment certificate with a three-year term would not be advisable. In the case of a short-term project, specific needs must be taken into account when choosing an investment product.

### **For Retired Investors**

Savers who are retired or about to retire are well advised to take full advantage of the TFSA. In effect, as of the age of 71, RRSPs must be converted to RRIFs that will generate taxable revenue. In the case of RRIFs, a minimum amount must be withdrawn each year, even if the saver does not necessarily need the funds. As such, it is highly advantageous to reinvest this surplus revenue in a registered account like a TFSA because the gain made on the investment will not be taxable. In addition, individuals can reinvest



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this sum in the same funds as those held in their RRSP or RRIF. Therefore, there is no cause for any additional worry about the investment portfolio.

Finally, a spouse can be designated as the successor owner of a TFSA. Thus, in the event of a death, the amount saved within the TFSA can be transferred to the surviving spouse with no tax liability.

## **About Laurentian Bank**

Laurentian Bank of Canada is a banking institution operating across Canada and offering its clients diversified financial services. Differentiating itself through excellence in service, as well as through its simplicity and proximity, the Bank serves individual consumers and small and medium-sized businesses. The Bank also offers its products to a wide network of independent financial intermediaries through B2B Trust, as well as full-service brokerage solutions through Laurentian Bank Securities.

Laurentian Bank is well established in the Province of Quebec, operating the third-largest retail branch network. Elsewhere throughout Canada, it operates in specific market segments where it holds an enviable position. Laurentian Bank of Canada has more than \$22 billion in balance sheet assets and more than \$14 billion in assets under administration. Founded in 1846, the Bank employs more than 3,500 people.

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