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THE RRSP DASH

The last-minute club

Published on Thursday January 24, 2008



Scott Plaskett, senior financial planner and CEO of Ironshield Financial Planning Inc., above, says, "At this time of year, it's all about reacting to the fact you've missed (out on) something."

COLIN MCCONNELL / TORONTO STAR

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Buying the newest tech gadget or most popular pair of shoes is fine – but stay away from fads when making your RRSP investments.

"Inexperienced people (often) buy the new flavour-of-the-month type investment," says Marilyn Trentos, an investment advisor for RBC Dominion Securities.

With the March 1 deadline for making an RRSP contribution quickly approaching, investors may be tempted to rush decisions and buy what is popular and well publicized – instead of making lasting investments.

Last year oil-related investments were a popular choice as the price of crude climbed. This RRSP season, with gold recently reaching an all-time high, Trentos said many last-minute RRSP buyers will try to add the shiny stuff to their portfolio.

"You may not want your high-flying resource company in an RRSP. You treat your RRSP with tender loving care. You think of it as a long-term investment," Trentos says.

The phone has been ringing steadily lately, and people have been inquiring about RRSP investments, says Scott Plaskett, senior financial planner and CEO of Ironshield Financial Planning Inc.

While Plaskett encourages his own clients to make RRSP contributions monthly, the certified financial planner understands that others are just realizing they should have invested earlier.

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"At this time of year, it's all about reacting to the fact you've missed (out on) something," Plaskett says.

With little time to spare it may be tempting to buy a single type of investment, but this can be disastrous.

"Two years ago, everyone wanted to have nothing but income trusts as investments. People thought, 'that's what's working, why own anything else?'" Trentos says.

For those who choose not to diversify, they are gambling with their future financial well-being.

While buying the stock of a trendy retailer may seem like a wise choice today, Trentos says investors should consider if the same store will still be doing business in a few years.

While some may be afraid of investing in something popular, others are fearful of investing at all. With a recession looming south of the border, investors may be afraid to risk their money in a volatile market.

People should look for stocks that will not be affected by a recession, Trentos says. Drug companies may be a good choice, as no matter what the state of the economy, medication is always needed.

Would-be investors with negative bank balances may think that investing is impossible, but Plaskett says making an RRSP contribution is doable even for those with no money.



Plaskett advises new clients to make a mock-tax return to determine how much money they will, or could, receive after they file their taxes. Investors can then borrow this amount and contribute it to an RRSP.

When they receive their refund, they can then pay off the loan.

"At the end of the experience, they don't have a debt they have to make payments on and they have increased the value of their RRSP," Plaskett says.

All the experts agree, getting good advice is necessary, especially if you are trying to invest quickly.

A financial planner can show you what options may help you make the most out of your RRSP contribution – such as pension income splitting with a spouse or taking advantage of the home buyers plan, which allows first-time buyers to withdraw up to \$20,000 from their RRSPs to buy or build. Investors may be frantically trying to make a last-minute contribution now, but the best financial decision may be to avoid the frenzied scramble next year. "I can put the Band-Aid on now, but lets make sure you never get cut again," Plaskett says.

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