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Found Money? **Not so fast; think before you pre-spend that tax refund**

By Kelley Keehn

So you've made your RRSP contribution this year. Perhaps your financial planner or banker encouraged you to use up all your available RRSP room. You're excited about the great refund coming your way, and you're already pre-spending those dollars. Not so fast.

Often, financial professionals will recommend using an RRSP as a long-term strategy. This is a good strategy for some, but a client must follow through. Many Canadians are faced with the dilemma each year of whether to save for their retirement or pay off the mortgage early. One retirement planning strategy includes investing regularly into an RRSP and then using the refund that generates to make a lump sum pay-down on the mortgage. The average investor may forget this key component to their long-term plan—it's crucial that they remember that, when the return comes in, that cheque or direct deposit is already earmarked.

Sometimes investors are encouraged to take out RRSP loans to catch up on unused carry-forward room. Since the interest on this type of loan is not tax deductible, it's very important that these investors make sure the refund generated by that contribution is used to pay back the loan.

The source of money often plays an important role in whether we save or spend it. Many think of their tax refunds as pots of "found money" to be blown on big-screen TVs, trips to Mexico, and other frivolous purchases. Somehow, people seem to feel they haven't had to earn this money. It's actually quite the opposite—hence the word "refund". This is your money that the government has been holding back from you for a month to over a year. It has always been your money and, furthermore, it's being paid back to you without interest. Certainly not what most would consider "found" money! So, before you start your Christmas-like wish list for this year's tax refund, remember that it's your money, it's always been your money (not found money), and it could form an integral part of your financial or retirement plan. Check with your advisor as to the best strategy for making the most of this disguised windfall.

The Prosperity Factor, by Kelley Keehn, uncovers the "inner games" we play surrounding wealth. As a retirement planner for over a decade, Keehn has witnessed first-hand the problems people have with money, and she has developed a fun, practical guide to making changes to our money mindsets at a fundamental level. In her book and courses, Keehn teaches individuals and financial professionals how to solve money problems with a two-part system. First, an introspective look at how a person views money and their emotional attitudes towards it. Second, she takes readers and course participants through a series of fun and effective money and banking games that can be played for a lifetime of financial ease.

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