



RRSP Loans

RRSP Loan Breakeven Point

With the RRSP deadline quickly approaching, did you know that you can increase your RRSP contribution without having to dig deeper into your pockets?

By combining your existing funds available for deposit with an RRSP loan, you can increase the amount you deposit into your RRSP and use your refund to pay off the loan.

You can determine the optimal amount to borrow so that your refund is equal to your loan amount knowing the funds that you have available to deposit and your marginal tax rate.

The optimal amount is equal to:

$$\frac{\text{Available Funds}}{(1 - \text{Marginal Tax Rate})} = \text{Available Funds}$$

If you have \$6,000 to deposit into your RRSP, with a marginal tax rate of 45%, you can borrow \$4,909 for a total deposit of \$10,909.

The refund that you receive will be 45% of \$10,909, or \$4,909...the exact amount of your loan!

Talk to your financial advisor to find out if an RRSP loan strategy is right for you.

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