

How do you save for Retirement?

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Speaking about retirement at this time of year is nothing new but for small business people it creates a tough situation. How do you save efficiently for retirement?

The tax benefits of an investing in an RRSP are questionable if your reported taxable income is not high and the money that goes there takes from needed cash flows permanently.

Investing in an RRSP for tax purposes is not necessarily your best solution to save for retirement until your reported annual taxable income exceeds around \$45,000 You'll save around 20 cents on the dollar and even then rates only go to around 30% at the next level. (RevCan stats)

Small business organizations are very upset over new Revenue Canada rules that are harsh on small business owners investing money left in small corporations. What a conundrum!

There are other solutions.

Some life insurance policies build cash values that you can access.

If you can allocate surplus income that you were considering for an RRSP into a Participating Whole-life Policy you find a tax-efficient way to increase your cash-flow in retirement while creating an estate.

Funds that are built up inside a policy can be used as collateral for a tax-free bank loan to supplement retirement income much the same way as real-estate can be used as an asset backed line of credit. The debt is repaid using proceeds from the life insurance policy.

Funds in the insurance policy grow on a tax advantaged basis and you end up the big winner. As well, almost immediately after depositing the first premiums you can use the available cash surrender value as collateral for a line of credit. Thus money that you were going to sock away for years can now go to work for you.

So there really are other alternatives to putting money into an RRSP. You would be amazed to see the numbers.

Supplement your retirement income and create a significantly larger estate.

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