

The following educational email is provided as a service by:

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At one time or another you have probably asked the question should I pay down debt, deposit to my RRSP or pay down my mortgage?

From a pure financial standpoint, a.k.a. return on investment, for the majority of individuals, depositing proceeds to your RRSP would be the smartest move. Why? The government is returning your tax dollars to you. Depending on your tax bracket this 'rebate' could be as much as 46% of your deposit. That's a 46% return on your investment, and you haven't even invested the money yet!

Having said that people often feel burdened by excessive debt loads and would receive more emotional 'value' from paying down debt (credit card debt at the top of the list). So we have to balance the financial value with the emotional value and in the end still come out on top.

So with only 3 months left to the end of RRSP season here is a creative strategy that will accomplish some of your debt reduction goals and RRSP savings goals at the same time.

Tax time is approaching quickly so any money deposited to an RRSP over the next 3 months will provide you with a rebate much sooner than you would normally have to wait. By maximizing your RRSP deposit over the next 3 months and paying only your minimum debt payments you will be setting yourself up for a greater rebate when you file your taxes. This rebate can then go directly against your debt, whether it is loans, credit cards or just a plain old mortgage.

So in point form:

1. Maximize (whatever you can afford plus a little more) your RRSP payments for December, January and February.
2. Minimize i.e. pay the minimum on any debt you carry for December, January and February.
3. Apply any bonus received directly to debt.
4. Apply any salary increase directly to a regular monthly deposit to your RRSP.

This obviously depends on individual circumstances; specifically your marginal tax bracket and what rates you may be paying on debt, especially credit card debt. So I highly recommend getting a second opinion before putting anything into place. It is however a great way to not only get a great return on your investment but to get it much quicker while at the same time reducing your overall debt load. Good luck!

*As with any buying decision speak to a knowledgeable Insurance and Financial Advisor to find out what's best for you.*

*Please forward this newsletter to a friend or relative that would benefit from this information. I would be happy to answer any questions they may have and add them to my regular distribution.*

*All material provided on this email is provided for informational and educational purposes only. Consult an advisor regarding the applicability of any opinions or recommendations with respect to your own financial situation.*

If you would like additional information please contact:

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*Mutual funds offered through James J. Hargan, Account Representative of Manulife Securities International Ltd., a Mutual Fund Dealer. E&OE*