



GMS INSURANCE

*Employee Benefits*  
*Group Retirement Plans*  
*Pension Plans*  
*Life Insurance*  
*Corporate Buy-Sell*  
*Funding Arrangements*

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## **RRSP Planning**

There's a statistic that financial planners like to quote: People spend more time planning their vacations than they do planning their finances. With the 2007 RRSP contribution deadline approaching in March, we thought it would be a good time to remind you that a little financial planning now, can give you a lot more freedom down the road to enjoy those well planned vacations.

Because RRSP contributions are tax free, whenever you make a contribution, you have a little extra money back in your pocket. What you chose to do with that money can have a significant impact on your retirement nest egg.

Let's look at the potential retirement savings for Bob and Judy. Bob and Judy are in a 45% tax bracket and are looking to retire in 15 years. At the beginning of each year, they have \$5,000 available for investment and they've determined that they can earn a 6% annual return on that money.

There are a multitude of options available to Bob and Judy but let's explore three of these.

**Scenario #1:** Bob and Judy make a contribution of \$5,000 to their RRSP and use the \$2,250 refund for their annual vacation. After 15 years, the value of their RRSP is \$123,362 or \$67,849 after taxes. No other investments have been made leaving them a total retirement savings of \$67,849.

**Scenario #2:** Instead of using the \$2,250 refund for vacations, Bob and Judy decide to use it as part of their retirement savings strategy. They are able to secure a 7% interest-only investment loan of \$32,156.

In this scenario, the value of their

RRSP is still \$123,362 or \$67,849 after tax but because they have used the RRSP refund to reinvest in an interest-only loan, they have \$33,418 saved in a non-registered fund. Their total retirement earnings is now \$101,267 – almost 50% more than not investing their refund at all!

**Scenario #3:** Bob and Judy decided to use their \$5,000 to secure an interest-only loan of \$71,429 instead of putting it into their RRSP. They use the \$2,250 tax deduction from the loan interest as their RRSP contribution which will create an additional tax refund.

After 15 years the value of the RRSP is \$53,513 or \$30,532 after tax. Their non-registered fund value is \$74,232 for a total savings of \$104,764.

These are just three basic scenarios to illustrate how various strategies can help maximize your retirement income. Further tax savings and investment growth can be achieved by factoring in other financial concepts. What if Bob and Judy income split? What if they want to provide education savings for their children? Should they pay down their mortgage before looking to their retirement savings? Every investment plan is unique to every investor. The goals, risk tolerance, income, and lifestyle of each individual needs to be considered. With the help of a qualified financial advisor, you can develop a strategy that reduces your tax liability and maximizes your investment potential.

GMS Insurance makes financial planning services available to you and to your employees. Contact us to find out more details.

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1550 Enterprise Road, Suite 215, Mississauga, ON L4W 4P4

Toll Free: 1-877-685-2515

25 Irvin Street, Kitchener, ON N2H 1K6

Toll Free: 1-866-536-0389

[www.gmsinsurance.com](http://www.gmsinsurance.com)

## Payroll Updates for 2008

### CPP & QPP:

Maximum Pensionable Earnings:

2007 - \$43,700  
2008 - \$44,900

Employee Contribution Rate:

2007 - 4.95%  
2008 - 4.95%

Employer Contribution Rate:

2007 - 4.95%  
2008 - 4.95%

Maximum Annual Contribution:

2007 - \$1,989.90  
2008 - \$2,049.30

Maximum Monthly Disability Benefit:

2007 - \$1,053.77 (CPP)  
2007 - \$1,053.74 (QPP)  
  
2008 - \$1,077.52 (CPP)  
2008 - \$1,077.49 (QPP)

Orphan & Disabled Contributor's Child Benefit:

2007 - \$204.68 (CPP)  
2007 - \$64.99 (QPP)  
  
2008 - \$208.77 (CPP)  
2008 - \$66.29 (QPP)

Maximum Monthly Retirement Benefit (at age 65):

2007 - \$863.75  
2008 - \$884.58

### Employment Insurance:

Maximum Insurable Earnings:

2007 - \$40,000  
2008 - \$41,100

Maximum Weekly Benefit:

2007 - \$423  
2008 - \$435

Employee Contribution Rate:

2007 - 1.80% to a maximum of \$720  
(outside of Quebec)  
- 1.46% to a maximum of \$584  
(in Quebec)

2008 - 1.73% to a maximum of  
\$711.03 (outside of Quebec)  
- 1.39% to a maximum of  
\$571.29 (in Quebec)

Employer Contribution Rate without a registered Short Term Disability Plan:

2007 - 2.52% to a maximum of  
\$1,008 (outside of Quebec)  
- 2.04% to a maximum of \$816  
(in Quebec)

2008 - 2.42% to a maximum of  
\$995.44 (outside of Quebec)  
- 1.95% to a maximum of  
\$799.81 (in Quebec)

**Note:** If you have a short-term disability (weekly indemnity) plan in place that includes a *specific dollar maximum* (\$423 per week, for example) the plan will continue to pay to this maximum until you change it. If, however, your plan specifies that it is *to pay to the employment insurance maximum*, your plan will automatically be updated to reflect the new maximum of \$435. You do not have to do anything. If you are unsure of your plan wording, please contact your GMS Insurance representative.

## Quiz Corner

*Put your mental mettle to the test and a \$50 prize in your pocket!*

Jennifer, Suzanne, Elizabeth, Heather, and Patricia were in a 100-meter race. When the newspaper photographer took a photo of the race, Jennifer had just passed the midway mark, Suzanne was 15 meters away from the finish line, and Heather had run 40 meters. Patricia had run twice as far as Heather. Elizabeth was at the 70-meter mark.

List the runners in order starting with the runner closest to the finish line.

Answers can be sent to:  
info@gmsinsurance.com or by fax to  
905-670-4146. We will draw a winner from the correct answers

Ontario workers are now entitled  
to their ninth statutory holiday  
beginning in 2008.

**Family Day**

is

**Monday February 18<sup>th</sup>**