

Top 10 RRSP Mistakes

By Kevin Dolan

One: Procrastination, putting it off each year and then planning to really save at a later date. Building a portfolio will allow you to have more control of your financial future and choices. A key factor is time and the compounding growth, starting earlier may help you retire earlier.

Two: Not knowing the real cost of your retirement and understanding want vs need. If you have enough to meet your plans, then you are in control to say when you will retire.

Three: Not understanding investment risk and the risk of not generating sufficient returns to meet your long-term retirement goals.

Four: Excessive diversification. One can diversify a portfolio by asset class, geography, and style of investments, but a blend of income and growth investments often generates the best long-term returns. Ironically, one issue I also see is over-diversification which frequently leads to underperformance and excessive fees.

Five: Selecting investments based on last year's performance. Last year's best performing asset class is rarely the best performer this year. As economic, interest rate and market cycles advance, this changes which asset class offers the best risk/reward each year. Be skeptical of spectacular performance results from small funds. High one-year numbers should set up caution flags.

Six: Waiting to the last minute to make a RRSP contribution. You can contribute throughout the year or set up an automatic monthly contribution.

Seven: Missing out on income splitting opportunities by not purchasing Spousal RRSPs.

Eight: Not naming a beneficiary. Your spouse can receive your RRSP tax free and avoid probate.

Nine: Disorganization. Having your statements all over the place and missing maturities and holdings. I have seen investors forget about RRSP holdings for years. Make this the year you get organized and serious about money.

Ten: Not realizing how easy it is to transfer RRSPs from one institution to another. Consolidate your holdings into one RRSP which reduces fees and can be managed with a coherent investment plan. I cover the transfer fees charged by other institutions.

Should you have any questions, please do not hesitate to give me a call at 416-860-8664.