

# Cents



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## FROM THE CEO



Recent disruption in the global financial market have prompted the average Canadian, including many YourCU members, to ask “What’s going on in the financial industry?” and “How do these issues affect me and my money?”

The economic challenges we have seen in 2008 and 2009 are a result of a series of events, beginning with the sub-prime mortgage failure in the United States. This failure led to the meltdown of Asset-Backed Commercial Paper (ABCP), and resulted in the collapse of prominent investment banks and brokerage firms, as well as massive losses for banks and reduction in their capital base.

In Canada, the financial services industry is sound. Many global experts, including the World Economic Forum and the International Monetary Fund, have declared that Canada has the soundest banking system in the world.

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### Last Minute RRSP Tips

The deadline for making contributions to your RRSP is March 1, 2010. As long as you make your contribution by that date, you can deduct your investment from last year’s earned income and possibly get a hefty tax refund. If you’re like most of us, you have waited until this last month, and now you are feeling a bit panicky. RRSP lists, like dinner party lists and to-do lists, help quench the panic. Here’s your RRSP list.

1. Dig out your Notice of Assessment from Revenue Canada. (You probably got it last May and, with any luck, it’s in the shoe box where you throw all your tax receipts.) It tells you how much you can contribute to an RRSP for the past calendar year and how much unused contribution room you have from previous years. If you can’t find the Assessment, call Revenue Canada (1-800-959-8281) or calculate your own contribution limit at 18% of your earned income.
2. If the amount you are allowed to contribute is more than you have on hand, consider a loan. The interest you pay on RRSP loans is usually less than the amount you can earn on your investment, if you repay the loan within one year. Plus, you get the tax refund, which means that you can repay the loan faster (paying even less interest), or you can put the refund in your RRSP (earning even more interest), pay down your mortgage or just spend the windfall.
3. When you make an appointment with your financial institution to talk about getting a loan and where to invest your RRSP contributions, set up a monthly contribution plan so you won’t have to go through all this again next year. Monthly contributions to RRSPs earn more than just making one lump sum contribution at the end of the year, even if the rate of return on both types of contributions is the same. If you are purchasing mutual funds through a monthly plan, you also benefit from dollar cost averaging. Dollar cost averaging is a fancy way of saying that you buy more when the price is low, and less when the price is high, so that your average cost decreases.
4. Diversify. Don’t put all your eggs in one basket. Spread the money around. The reason you have heard this advice so often is because it is true. Every kind of mutual fund can have a downturn, and interest rates can fall. Putting some of your money in mutual funds and some in term deposits protects you from heavy losses during downswings. Talk to Mary Hagerman, Investments Specialist (613-238-8001), she can help you diversify, put your eggs in different baskets, and spread the money around.
5. If you’re receiving a severance package, check with your employer to see whether you can roll the money over into your RRSP to prevent taxes being deducted at the source. Even if you have to withdraw some of the money during the year (until you find your perfect new job), you can withdraw it in amounts of less than \$5,000, paying only a 10% withholding tax at the time of withdrawal.

If you don’t like to do things in a panic and are unsure about where to invest your RRSP dollars, just contribute to an RRSP savings account. The interest on these accounts is very low, but you are able to transfer your funds into a different type of investment without any penalty. Just be sure to make an appointment with an investment advisor to sort out your options.

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The Canadian Credit Union system is strong and able to withstand this economic storm. Ontario Credit Unions, including YourCU, have solid deposit base and sound loan portfolios.

While the economic climate continues to unfold, we believe changes in the financial services industry will continue. These changes will positively affect the way financial institutions manage risk and their accountability and transparency to their stakeholders. We are ready to meet and take advantage of the new realities going forward.

Your Credit Union has been providing financial service, leadership, and support to our communities for over 50 years. Although the future remains uncertain and complex, our goal remains to make a difference in the continued success of our members, our employees, and the great province we all work and live in.

Yours,  
DENIS  
LAFRAMBOISE

## Making Your Tax Refund Count

As the deadline for filing your income tax return looms, it's time to start making plans for the good news — your tax refund. You could spend it on a dream vacation but before you do, think hard. Chances are, luxury items will be far down your list of priorities.

Many people use their refund to pay down debt while others funnel their windfall into retirement and education funds such as Registered Retirement Savings Plans (RRSPs), Registered Education Savings Plans (RESPs), and Tax-Free Savings Accounts (TFSA). Saving money isn't as much fun as spending it but being debt free and secure in your retirement is an alternative that's hard to beat.



### Pay down debt

If you are carrying too much debt, debt reduction might be your best option. Big balances on your credit lines and charge cards seriously erode your ability to build assets.

### Pay down a portion of your mortgage

If you own a home, a mortgage is probably your largest debt. Depending on how close you are to retirement, it could make sense to pay off your home loan instead of devoting the extra cash to retirement savings. But keep in mind there may be penalties for early pay downs and if your interest rate is low, you might want to continue making payments.

### Contribute to an RRSP

The tax benefits of applying your refund to an RRSP are immediate. You receive a tax reduction and over the long term, any returns you earn on your investments are tax-deferred.

An RRSP generates compound interest, meaning that what you invest today will be worth substantially more when you retire.

### Contribute to an RESP

Through the Canada Education Savings Grants, the government contributes up to \$500 a year per child based on your contribution and family net income. The Grant has made tax refunds to RESPs more attractive. Assets are sheltered from taxation, similar to an RRSP. If you don't like to do things in a panic and are unsure about where to invest your RRSP dollars, just contribute to an RRSP savings account. The interest on these accounts is very low, but you are able to transfer your funds into a different type of investment without any penalty. Just be sure to make an appointment with an investment advisor to sort out your options.

## Rates

### Flexi Term

3yrs - 2.50%  
5yrs - 3.00%

### Investment Specials

4yrs - 2.70%  
5yrs - 3.00%

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