

RRSP vs. MORTGAGE

Have you ever wondered whether it makes more sense to pay off your mortgage or invest in a Registered Retirement Savings Plan (RRSP)? While reducing your mortgage quickly makes sense, you will also need a significant nest egg to retire in comfort.

Consider the options:

A. Pay off mortgage first, and then contribute to RRSP:

- **Advantage:** Additional mortgage payments go directly to the principal, saving you interest and reducing the term of your mortgage.
- **Disadvantage:** Miss out on the benefits of long term compounding growth, and an immediate tax refund

B. Make regular mortgage payments and RRSP deposits:

- **Advantage:** Take advantage of long term compounding growth and an immediate tax refund
- **Disadvantage:** By paying off your mortgage slowly you will pay more interest. Depending on your amortization period, you may be at risk of carrying mortgage debt into retirement.

C. Make an RRSP deposit and use your tax refund to pay down your mortgage faster. This option allows you to have the best of both scenarios:

- An RRSP contribution results in a tax deduction, and allows you to benefit from compound growth
- Additional mortgage payments go directly to principal; building home equity and reducing borrowing costs

Mortgage freedom is a very worthwhile goal; however, consideration of a complete financial plan can help you achieve more. Talk to your Financial Advisor today and learn how an **Equitable Life**® RRSP can be incorporated into your personalized financial plan.



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