



Finance Forum



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As the RRSP deadline approaches, most of us turn our minds to whether we have maximized our contributions, and how we'll arrange to top up if we haven't. It's always a busy time, but in the rush to contribute we mustn't forget the reason for all our efforts to save: our long-term financial security.

Also, the much anticipated launch of our website is finally here. Log on TODAY!

FOCUS ON MUTUAL FUNDS



Take your foreign content over the limit

Most investment experts agree: Foreign investments increase your earnings potential and reduce risk. You can hold up to 30% of the book value of your Registered Retirement Savings Plan (RRSP) in foreign investments. But there's a way to hold more — with mutual funds. Follow these three steps.

Achieve 30%. One of the easiest ways to achieve the allowable maximum is by investing in international funds. They offer professional money management, global market knowledge, and more diversification than you could achieve on your own.

But be sure to keep an eye on your percentage to make sure it doesn't exceed 30%, or penalties will be incurred. Remember that any fund distributions that are reinvested in fund units affect your book value.

Review your Canadian funds. Canadian mutual funds are also allowed to hold a maximum of 30% foreign content in their portfolios, yet remain 100% eligible as Canadian content in RRSPs. By choosing Canadian funds that maximize their own foreign content, you can increase your portfolio's foreign content without breaking the rules.

Go beyond, with clone funds. Clone funds use derivatives to track the performance of international mutual funds or foreign market indexes, such as the Standard & Poor's 500. But because 70% or more of their holdings are in Canadian Treasury bills, they are considered Canadian funds under RRSP rules. With clone funds, you can effectively have as much foreign content as you'd like. ■