

Contributing to RRSP vs. Paying Down Debt

(modified from http://www.smokeandmirrors.ca/PDFs/CMS_Dont_invest_in_RRSP_a)

RRSP Rate of Return	6.00%
House appreciation	2.00%
Mortgage rate	6.00%
Marginal tax rate	40.00%
Cash avail./year	\$8,000.00
Mortgage payment	\$17,609.32

Assets	now	Scenario 1 (RRSPs) after 11 years	Scenario 2 (debt paid) after 11 years
Cash in bank	\$714.00	\$714.00	\$714.00
House	\$275,000.00	\$341,927.93	\$341,927.93
RRSP: Joe	\$36,900.00	\$155,522.06	\$70,047.22
RRSP: Karen	\$16,875.00	\$117,508.63	\$32,033.79
Total Assets	\$329,489.00	\$615,672.62	\$444,722.94
Liabilities			
Household mortgage	\$201,977.46	\$119,773.14	\$0.00
Total Liabilities	\$201,977.46	\$119,773.14	\$0.00

Assets	now	Scenario 1 (RRSPs) after 20 years	Scenario 2 (debt paid) after 20 years
Cash in bank	\$714.00	\$714.00	\$714.00
House	\$275,000.00	\$408,635.53	\$408,635.53
RRSP: Joe	\$36,900.00	\$324,342.61	\$320,396.75
RRSP: Karen	\$16,875.00	\$260,119.72	\$256,173.86
Total Assets	\$329,489.00	\$993,811.87	\$985,920.15