

Contributing to RRSP vs. Paying Down Debt

(copied from http://www.smokeandmirrors.ca/PDFs/CMS_Dont_invest_in_RRSP_arti)

RRSP Rate of Return	5.00%
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	\$144,140.44	\$63,111.52
RRSP: Karen	\$16,875.00	\$109,890.90	\$28,861.98
Total Assets	\$329,489.00	\$596,673.28	\$434,615.43
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	\$283,076.03	\$291,520.03
RRSP: Karen	\$16,875.00	\$229,943.74	\$238,387.74
Total Assets	\$329,489.00	\$922,369.30	\$939,257.31