

Investing Options

<p>Account for savings and investment assets that grow tax-free:</p> <p>Canada Registered Retirement Savings Plan (RRSP) United States Roth IRA and 401k plan United Kingdom Self-invested personal pensions</p>		
<p>Pros</p> <ul style="list-style-type: none"> • reduces taxable income • considered pre-tax, so taxed at marginal rates when withdrawn • contribute through payroll deductions or cash • unused contribution room carried forward to year you turn 71 (RRSP) 	<p>Cons</p> <ul style="list-style-type: none"> • limits on annual contribution (based on income) • cap on interest earned • require earned income to contribute • withdrawals added to taxable income in year withdrawn 	<p>Investment Types</p> <ul style="list-style-type: none"> • Cash • GIC • Mutual fund • ETFs • Stocks & bonds
<p>Account that provides tax benefits for savings and investment income, including capital gains and dividends:</p> <p>Canada Tax-Free Savings Account (TFSA) United Kingdom Individual Savings Account (ISA)</p>		
<p>Pros</p> <ul style="list-style-type: none"> • earned income not required to contribute • unused contribution room carried forward indefinitely • withdrawals are tax-free and can be made at any time 	<p>Cons</p> <ul style="list-style-type: none"> • limits on annual contribution • does not reduce taxable income 	<p>Investment Types</p> <ul style="list-style-type: none"> • Cash • GIC • Mutual fund • ETFs • Stocks & bonds
<p>Savings account:</p> <p>Secure investment that guarantees 100% of amount invested, earning interest at either a fixed or a variable rate.</p>		
<p>Pros</p> <ul style="list-style-type: none"> • higher interest than a checking account • provides stability with variable terms (90 days up to 10 years) • over the short term, can offset riskier investments (like stocks) 	<p>Cons</p> <ul style="list-style-type: none"> • gives returns lower than stock market and possibly lower than inflation • penalty if withdrawn before end of term 	<p>Investment Types</p> <ul style="list-style-type: none"> • GIC • Savings • Checking

Mutual fund / Exchange traded fund (ETF):

Investment fund that pools investments such as stocks, bonds, or other funds.

Pros

- you may buy or sell funds at any time (liquid asset)
- professionally managed by a portfolio manager

Cons

- variable investment (not guaranteed) that also holds promise of higher returns
- fairly complex investment
- returns are taxable in the year received unless held within a registered plan (e.g., RRSP)
- costs can include sales charges and management expenses

Investment Types

- Mutual fund
- ETFs

Real estate:

Long-term investment in personal or investment property.

Pros

- tangible investment that is fairly easy to understand
- often purchased with debt (other people's money)
- opportunity for appreciation over time
- offers a hedge against inflation
- relatively stable investment that can also be improved and provide place to live
- investment property can provide income as well as tax deductions

Cons

- greater capital investment and higher transaction costs
- requires market research
- less liquid asset
- ongoing costs include property taxes plus maintenance or management
- subject to market fluctuations (rise and fall in prices)
- greater financial and legal liability

Investment Types

- Condominiums
- Townhouses
- Houses
- Land
- Commercial property
- Apartments