

Conservative Leverage \$165,000 Better Than RRSPs

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By now, most people are fully aware of the benefits of RRSPs. However, very few people — typically the rich — are aware of an even better wealth-building strategy.

Done conservatively, with the guidance of a trusted financial advisor, leveraging — borrowing other people's money and investing it — has significant advantages over RRSPs as a long-term investment strategy.

A comprehensive analysis was conducted to compare investing in RRSPs versus using the same annual cashflow to pay the interest on an investment loan. After examining each on the basis of tax treatment, investment restrictions, magnitude of initial investment, and a rigorous review of the real risks, it was concluded that those with the collateral to borrow could do much better than RRSPs.

Based on *average* historical returns, by using conservative leverage instead of RRSPs, 20 years later the typical Canadian that invests \$2,000 a year would end up with an extra \$165,000, more than doubling the size of their retirement fund.

The biggest controversy regarding leverage is that it is a risky strategy, only used by aggressive, wealthy investors. But anyone with a mortgage is already using leverage, perhaps without realizing it.

A mortgage is a highly leveraged, poorly diversified, fluctuating investment with low liquidity and poor future growth expectations for most parts of Canada, where the interest expense isn't even tax deductible! Using leverage for an investment instead of a house purchase improves each of these factors. Thus, anyone with a mortgage should be even more comfortable conservatively using leverage to invest.

The biggest drawback with leverage is that it is not as simple as RRSPs, which most people are familiar with and understand. For

this reason, most people should not try leveraged investing on their own.

It is critical to stay conservative and get the help of a trusted advisor to ensure that you fully understand all of the pros and cons of leverage, and how the real risks can be eliminated with a properly structured plan.

It is also essential to choose good investments that go up in value because leverage simply magnifies returns. It does not increase them. Leverage makes good investments better, and bad investments worse.

More details. A five page report detailing the analysis of conservative leverage vs. RRSPs is available by calling below.

Talbot Stevens is a financial educator, speaker and author. For more information, visit www.TalbotStevens.com.