

The earlier you invest in your RRSP, the better

Start early to leverage the power of compounding

The sooner you make it a priority to invest for your retirement goals, the better.

When time is on your side, it's a huge ally. The earlier you start, the more you benefit from the power of compounding. Compounding occurs when the returns that your investments earn begin to generate a return.

In an RSP, compounding is unhindered. You can reinvest your gains, including your dividend and interest income, without paying any tax, as long as the funds remain within the plan.

The chart below shows the incredible impact that compounding has on your RSP savings, and why it's better to start investing as early as you can.

Starting at different ages, monthly investments required to reach \$500,000 by age 65

	Start at age 25	Start at age 35	Start at age 45
Monthly investments	\$288	\$548	\$1,150
Value at age 65	\$501,419	\$500,659	\$500,971
Portion from compound growth	\$363,179	\$303,379	\$224,971

Invest regularly

To leverage the power of compounding, it's a good idea to hardwire the habit of saving and investing. Set up a regular contribution plan to move a set amount of money automatically every month from your banking account to your self-directed RSP, and invest that money to get it working on your behalf. You'll quickly adjust your budget and your lifestyle around that monthly commitment, and you'll avoid the stress of coming up with a single lump-sum contribution at the RSP deadline.

Re-invest dividends automatically

Keep your money invested, re-invested and compounding, by setting up a dividend reinvestment plan ("DRIP") for dividend-paying stocks that you own. With a DRIP, stock dividend payments are automatically used to buy more shares in the company.

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For more information about RRSPs, please consult your financial advisor and tax professional.

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