sunova CREDIT UNION

starting out

THINGS TO CONSIDER:

Paying for post-secondary education
Saving for a down payment on a home
Setting aside money in case of an emergency
Building a nest egg for retirement

Welcome to your wonder years! We call it that because you will likely spend this time wondering what career you should choose, if you chose the right career, if you should buy a car, if you should buy a house, if you should get married, if you should have kids, if you should change careers and so on (and so on and so on).

We might not be able to help you answer all of those questions but we can definitely help you plan for them. Whether it's paying for your post-secondary education, buying your first home or even saving for your retirement, we'll help make sure your financial future is taken care of so you can continue to wonder but not have to worry.

START YOUNG

You are probably thinking why should you have to worry about saving for retirement? Heck, you just barely started your career!

You know that saying 'the early bird catches the worm'? Well the same is true when it comes to saving money. By putting a little bit aside each year, you are giving yourself more time for your savings to grow. Think about it this way! If you put $1000 away every year starting at 20 years old and earn an average of 2% interest, by the time you are 50 you will have over $42,000.

That's obviously not enough to retire on but it's a pretty good start, especially since it doesn't take into consideration any lump sum deposits, pension plans or other savings programs that may be available to you.

By starting to plan for your retirement now, you eliminate some of the stress of trying to save later on. The best part is that the more money you have invested, the more interest you will earn which means a little really does go a long way.

RRSP VS. TFSA

At this stage in your life, you may not be ready to commit to putting all of your savings into an RRSP. There are definitely benefits to investing in an RRSP but what if you decide you want to buy that unnecessarily large big screen TV for your very tiny new apartment? We get it. You want to set money aside but still be able to have access to it.

A tax free savings account (TFSA) is a great option if you are looking to avoid paying taxes on any interest earned but you still want the freedom and flexibility to withdraw money when needed. This is a great option for anyone looking to build an emergency cash fund to use instead of credit cards to pay for any unexpected expenses.

Just keep in mind that there are some restrictions when putting your money into a TFSA such as you can only contribute $5000 a year from 2009 to 2012 and $5500 per year after that. If you withdraw funds, you cannot recontribute them in the same calendar year.

The purpose of a registered retirement savings plan (RRSP) is to ultimately help you save for your retirement. When you invest money into an RRSP, you are essentially deferring paying taxes on that income until it's withdrawn. The benefit is that you contribute the funds when you are earning more money (and therefore are in a higher tax bracket) and withdraw them after you are no longer working and are in a lower tax bracket. It's the single biggest tax break available to Canadians and can help you limit the amount of income tax you pay each year.

Remember, when you withdraw funds from your RRSP you will pay tax on them so you don't want to be regularly withdrawing funds.

Putting money into an RRSP may seem like a big commitment but there are some added benefits to investing in an RRSP at this stage in your life. Did you know that you can withdraw funds from your RRSPs to pay for your post-secondary education or even your first home?

Through the Government of Canada's Lifelong Learning Plan and Homebuyers' Plan you can withdraw up to $20,000 and $25,000 to use towards a post-secondary education or a down payment for your first home. You just have to put the funds back into your RRSP within 10 and 15 years respectively from when they are withdrawn.

Both RRSPs and TFSAs have their individual benefits. What you choose to invest in will depend on your individual situation and what makes the most sense for you.

KNOW ALL YOUR OPTIONS

One other thing to consider when it comes to saving for your retirement is making sure you take advantage of all savings options available to you.

For example, do you know if your company offers a pension plan, an employee savings plan or something similar? This is where a percentage of your paycheque is put directly into a retirement savings account, which you then get when you retire or leave the company. In some cases, your employer will even match your contributions allowing you to save for your retirement twice as fast.

The best part about these types of savings plans is that because they come directly off your paycheque, you don't even notice the money is gone. This is a great way to start saving for your retirement and can give you the head start you need.

If you are unsure if this is something your company offers, check with your manager or human resources department. Also, take the time to do your research and make sure you know the rules and regulations of the program before you start contributing.

Most importantly, whatever you decide to invest in, make sure it supports your individual savings goals.