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Investors Dash to RRSP Finish Line, Says Survey

With the February 29 RRSP deadline looming, a majority of British Columbian contributors are gearing up to make that last, final dash to their financial institution, according to an RRSP survey conducted on behalf of Credit Union Central of British Columbia.

In the survey of 459 British Columbians, which was conducted in December 1999 by the Angus Reid Group, 60 per cent of residents who plan to contribute lump-sum payments to their RRSPs for the 1999 tax year will do so this month.

“Interestingly, individuals aged 55 and older are more likely to make lump-sum contributions,” says Teresa Freeborn, Vice-President, Services & Communications, of Credit Union Central of British Columbia. “This is likely because older individuals, with retirement weighing heavily on their minds, are socking away savings for their golden years.”

Those under 55 are more likely to make regular contributions on a monthly or quarterly basis.

Fewer British Columbians Plan to Contribute

About 85 per cent of B.C. financial consumers are within the eligible age bracket for making an RRSP contribution, which is 18-69 years. Of these consumers, 57 per cent had made or intended to make an RRSP contribution for the 1999 tax year. That’s down from 1998, when 62 per cent indicated that they planned to make a contribution. Over 50 per cent of those not planning to make a contribution said they simply couldn’t afford it.

Helmut Pastrick, Credit Union Central’s Chief Economist, believes that recent weak provincial economic conditions are affecting the B.C. consumer’s ability to save for retirement. “Low income growth and high consumer bankruptcy levels are indicative of a weak domestic economy,” says Pastrick.

Consumers in the 35 to 54 age group are significantly more likely to make an RRSP contribution than their older or younger counterparts. Some 67 per cent have contributed or plan to contribute, compared with 49 per cent in the younger age bracket and 48 per cent in the older age bracket.

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Household income, not surprisingly, drives RRSP investment intentions. About 77 per cent of those earning more than \$60,000 a year intend to contribute to an RRSP. Sixty-five per cent of those earning between \$30,000 and \$60,000 intend to invest in an RRSP. In contrast, about 25 per cent of those earning less than \$30,000 plan to contribute.

Mutual Funds Top Investment List

The survey also found that mutual funds are still the RRSP investment of choice for British Columbians. About two-thirds of all contributors said they will invest some or all of their RRSP monies in mutual funds for the 1999 tax year. That's up slightly from 61 per cent in 1998. Some 30 per cent of contributors said they would invest in the more conservative term deposits. Twenty-one per cent said they would put their money in stocks, while 11 per cent would invest in the bond market.

Altogether, the results indicate that one-third of RRSP contributors will be putting their 1999 contribution into more than one investment type.

"Reports from credit union investment advisers support the survey," says Freeborn. "British Columbians are aware of the need for a balanced portfolio and are using the many investment options available to maximize their savings."

RRSP Loans a Way to Top Up

Although many financial institutions offer RRSP loans at prime lending rates for consumers wanting to beef up their contributions, only about 17 per cent of investors are planning to take advantage of this opportunity. Eighty per cent of those who have planned or are planning to take out an RRSP loan will use it to "top up" their existing contributions. Less than 25 per cent intend to use the loan to cover their entire contribution.

"An RRSP is the most important investment an individual can make as part of a long-term retirement planning strategy," says Freeborn. "An RRSP loan can be an effective way of maximizing contributions and using up any unused contribution room."

British Columbia's Savings and Credit Unions provide a wide range of RRSP-eligible financial products and have staff available who can provide investment advice and help consumers develop investment plans. Most credit unions will be adopting extended opening hours over the final days of the RRSP season.

The 1999 RRSP Survey of British Columbians was conducted by the Angus Reid Group between December 3 and December 15, 1999, on behalf of Credit Union Central of British Columbia. With a random sample of 459 British Columbian adults aged 19 or older across the province, the survey results are accurate to within plus or minus 4.6 per cent, 19 times out of 20.

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B.C.'s 76 Savings and Credit Unions have some \$22 billion in assets and 330 branches serving more than 125 communities, including 30 that have no other financial institution. Credit unions are democratically controlled by their members and employ more than 7,000 British Columbians.

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