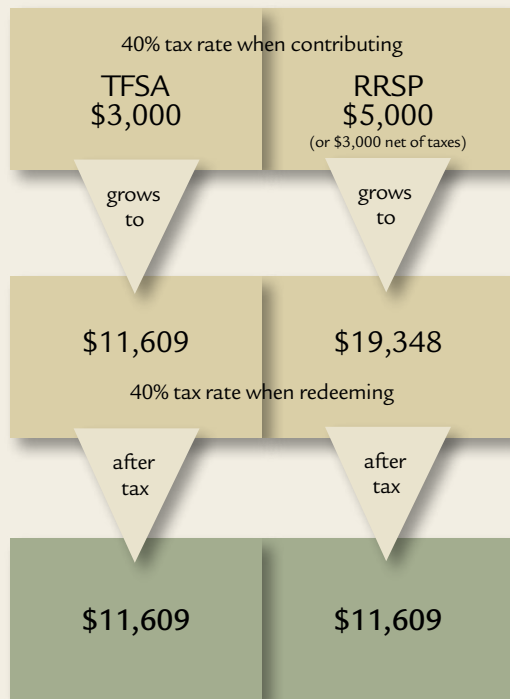


RRSP and TFSA: Which one should I consider first?

Deciding which you should contribute to first, a registered retirement savings plan (RRSP) or a tax-free savings account (TFSA), depends on your needs as well as your current and future tax rate.

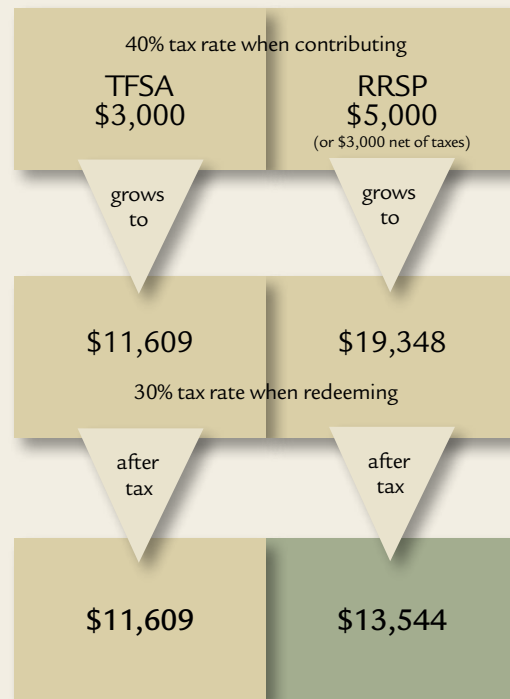
Scenario one: Tax rate when you contribute is **the same** as what's expected when you redeem

Recommendation: Equal benefit, consider other factors



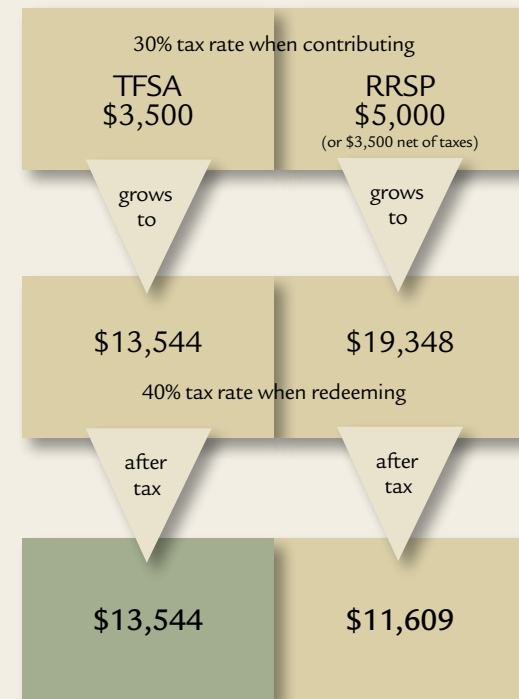
Scenario two: Tax rate when redeeming is **lower** than it was when contributing

Recommendation: RRSP first, then TFSA



Scenario three: The tax rate when redeeming is **higher** than it was when contributing

Recommendation: TFSA first, then RRSP



The TFSA provides more tax benefits if the tax rate is expected to be higher at the time of redemption compared to the tax rate when the contribution is made.

Assumptions: \$5,000 pre-tax income in an RRSP, an equivalent after-tax amount contributed to TFSA based on 30 and 40 per cent tax rates. Growth assumes a seven per cent annual rate of return for 20 years.

The information provided is based on current tax legislation and interpretations for Canadian residents and is accurate to the best of our knowledge as of March 2010. Future changes to tax legislation and interpretations may affect this information. This information is general in nature, and is not intended to be legal or tax advice. For specific situations, you should consult the appropriate legal, accounting or tax expert.

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