Meet Lance. Lance is a 25 year-old, recent university graduate with a modest amount of student debt. Lance earns $75,000/year as an engineering intern with an oil & gas exploration company.

Until now, Lance has always concentrated his available capital on educational and living expenses, he has no retirement savings to speak of.

Lance finds that after meeting his discretionary and non-discretionary expenses each month, he has approximately $1,000 left over to invest. Lance's financial advisor, Orin, recommends that he put the surplus to work in a Registered Retirement Savings Plan (RRSP) to take advantage of tax-deferred growth and to receive a tax-deductible contribution receipt.

Lance asks Orin to project the value that an RRSP could potentially grow to over the course of his working career. Orin lays out the following calculation:

Current age:	25 years
Retirement age:	65 years
Difference:	40 years
RRSP beginning value:	$0.00
Monthly contribution:	$1,000 (18% of prior year income equals max. contribution of $1,125/mo)
Long-term growth expectation:	6.4% per annum (FPSC L/T growth rate for Canadian equities)
Future value of RRSP at retirement:	**$2,221,522**

Lance now wonders what level of income this amount would generate for him in retirement.

Current age:	65 years
Age at mortality:	90 years
Difference:	25 years
RRIF beginning value:	$2,221,522
Monthly contribution:	$0.00
Long-term growth expectation:	3.5% (investments are risk-adjusted for safety, security & longevity)
Potential withdrawal rate in retirement:	**$134,788** per year.

CONCLUSIONS:
- By starting early and remaining focused, Lance should accumulate a significant pool of registered assets which will provide a good level of income in retirement.
- At a marginal tax rate of 28.20% (based on Lance's current income), the annual RRSP contribution would generate an additional **$3,384** of tax savings per year. This return could then be placed into a Tax Free Saving Account (TFSA) to support future spending goals without any tax consequences.