

Your Mortgage vs Your RRSP

Investing In Your Future

Team Changes

Fund News

In personal financial planning, the rule of thumb is that your first priority should be to pay down non-deductible debt. Yet with any rule of thumb, there are always exceptions.

When it comes to a choice between paying down your mortgage or making an RRSP contribution, this rule of thumb doesn't necessarily hold true. Basically, there are four possible combinations of payments you could make:

1. Make your RRSP contribution, then invest the tax refund
2. Make your RRSP contribution, then use the tax refund to pay down your mortgage
3. Pay down your mortgage, then invest the savings
4. Pay down your mortgage, then start making your RRSP contributions

Determining which option is best for you requires a detailed analysis of your particular financial circumstances. The results can be surprising. Let's take a hypothetical example:

Joe Smith has the ability to make a \$13,500 RRSP contribution on an annual basis. He also has a \$200,000 mortgage he would like to pay off. He's wondering which of the above four combinations would be his best choice.

The following assumptions will be made:

- 8% return on both his RRSP and Non-RRSP savings
- Value of the house is \$250,000 with an assumed growth rate of 2% per year
- Interest rate on the mortgage is 7.5% compounded semi-annually
- Mortgage payments are made monthly with a 25 year amortization
- \$13,500 is paid at the beginning of each year into either the RRSP or mortgage
- Joe's tax rate is 50% during the savings period, and 40% during the pay-out period

Continued on back page

Moving?

**Remember to call our
Service Centre with
your address change!**



1 Year Total Return

1	C.I. Sector Global Telecommunications	81.1%
2	20/20 Aggressive Growth Fund	71.1%
3	MAXXUM American Equity Fund	64.9%
4	BPI Global Opportunities Fund	62.7%
5	Fidelity Focus Technology Fund	55.8%
6	Altamira Science and Technology Fund	54.4%
7	Spectrum United Global Telecomm	50.2%
8	AIM Global Technology Fund	47.3%
9	Talvest Global Sci & Technology C\$	45.3%
10	BPI American Equity Value Fund	45.1%

3 Year Total Return

1	BPI Global Opportunities Fund	49.2%
2	MAXXUM American Equity Fund	39.5%
3	Ethical North American Equity Fund	36.4%
4	AGF American Growth Class	34.8%
5	BPI American Equity Value Fund	34.1%
6	Altamira Science and Technology Fund	31.1%
7	AIM American Premier Fund	30.1%
8	AIM European Growth Fund	29.1%
9	20/20 Aggressive Growth Fund	28.5%
10	Green Line U.S. Index Fund US	28.0%

5 Year Total Return

1	Green Line Science & Technology Fund	29.7%
2	Ethical North American Equity Fund	28.7%
3	AGF American Growth Class	27.8%
4	BPI American Equity Value Fund	26.9%
5	AIM Global Health Sciences Fund	26.3%
6	Green Line U.S. Index Fund US	25.6%
7	Spectrum United American Growth Fund C\$	25.4%
8	20/20 Aggressive Growth Fund	25.3%
9	McLean Budden American Growth Fund	23.6%
10	AIC Value Fund	23.4%

10 Year Total Return

1	PH&N U.S. Pooled Pension Fund	19.7%
2	McLean Budden American Growth Fund	19.3%
3	AGF American Growth Class	18.9%
4	Spectrum United American Growth Fund C\$	18.7%
5	PH&N U.S. Equity Fund	18.5%
6	Green Line U.S. Index Fund US	17.2%
7	Ethical North American Equity Fund	16.9%
8	Royal U.S. Equity Fund C\$	16.1%
9	Elliott & Page American Growth Fund	15.7%
10	Guardian American Equity Fund Ltd.	15.5%

1 Year Total Return

1	Dynamic Global Resource Fund	-42.0%
2	20/20 Latin America Fund	-36.3%
3	BPI American Small Companies Fund	-28.7%
4	C.I. Latin American Fund	-27.4%
5	Fidelity Latin American Growth Fund	-20.3%
6	Fidelity Small Cap America Fund	-20.0%
7	Fidelity Emerging Markets Portfolio Fun	-19.6%
8	Spectrum United Emerging Markets Fund	-17.2%
9	C.I. Sector Hansberger European	-17.1%
10	Scotia Latin American Growth Fund	-16.4%

3 Year Total Return

1	Fidelity Emerging Markets Portfolio Fun	-21.6%
2	Hansberger Asian Fund	-16.6%
3	AGF Asian Growth Class	-14.8%
4	Dynamic Global Resource Fund	-14.4%
5	C.I. Sector Pacific	-13.0%
6	Ethical Pacific Rim Fund	-12.5%
7	C.I. Pacific Fund	-12.2%
8	Altamira Asia Pacific Fund	-11.3%
9	Universal Far East Fund	-11.1%
10	Royal Asian Growth Fund	-11.1%

5 Year Total Return

1	Hansberger Asian Fund	-10.4%
2	Altamira Asia Pacific Fund	-8.7%
3	C.I. Sector Pacific	-7.2%
4	C.I. Pacific Fund	-6.6%
5	20/20 Emerging Markets Value Fund	-6.0%
6	AGF Asian Growth Class	-5.5%
7	Universal Far East Fund	-5.5%
8	C.I. Latin American Fund	-5.3%
9	Royal Asian Growth Fund	-5.0%
10	Royal Japanese Stock Fund	-4.2%

10 Year Total Return

1	Royal Japanese Stock Fund	-1.4%
2	AGF Japan Class	2.3%
3	C.I. Sector Pacific	3.6%
4	C.I. Pacific Fund	4.1%
5	C.I. Sector Short-Term Shares	4.1%
6	Atlas American Money Market Fund	4.6%
7	Altamira Global Diversified Fund	7.2%
8	Templeton Global Bond Fund	7.4%
9	Global Strategy World Bond Fund	7.6%
10	Universal International Stock Fund	8.1%

COMMENTARY

ScotiaMcLeod would be pleased to provide you with further detailed information on the above mutual funds, however we cannot provide information on the funds marked #. These are historical performance rankings, and are not indicative of future investment performance. When analyzing particular funds, stress longer term performance.

These rankings are not sales advice and ScotiaMcLeod does not recommend simply selling bottom past performance funds and buying top past performing funds. Purchase or redemption fees may be involved. Please call 863-7777 or 1-800-387-9273 for specific recommendations tailored to your individual needs.

1 Year Total Return

1	Atlas American RSP Index Fund	20.1%
2	Green Line U.S. RSP Index Fund	19.2%
3	VenGrowth Investment Fund Inc. (LSVCC)	18.4%
4	Scotia CanAm Stock Index Fund	18.1%
5	Atlas International RSP Index Fund	11.9%
6	Talvest Foreign Pay Canadian Bond Fund	10.7%
7	C.I. American RSP Fund	10.5%
8	Talvest Global RRSP Fund	10.1%
9	Synergy Canadian Fund - Momentum Class	9.6%
10	AGF RSP Intl Equity Allocation Fund	9.1%

3 Year Total Return

1	AIC Diversified Canada Fund	27.7%
2	AIC Advantage Fund	27.6%
3	Quebec Growth Fund Inc.	26.4%
4	PH&N Dividend Income Fund	25.5%
5	Scotia CanAm Stock Index Fund	24.7%
6	Royal Dividend Fund	21.9%
7	Global Strategy Diversified Europe Fund	21.4%
8	C.I. American RSP Fund	20.3%
9	Scotia Canadian Dividend Fund	20.3%
10	Scudder Canadian Equity Fund	20.0%

5 Year Total Return

1	AIC Advantage Fund	26.6%
2	Scotia CanAm Stock Index Fund	23.6%
3	PH&N Dividend Income Fund	18.9%
4	Royal Dividend Fund	16.9%
5	Quebec Growth Fund Inc.	16.5%
6	PH&N Vintage Fund	16.0%
7	Tradex Equity Fund Limited	15.8%
8	Cundill Canadian Security Fund Series A	15.5%
9	Bissett Canadian Equity Fund	15.4%
10	Global Strategy Diversified Europe Fund	15.2%

10 Year Total Return

1	AIC Advantage Fund	21.0%
2	ABC Fundamental-Value Fund	18.8% #
3	GBC Canadian Growth Fund	17.5%
4	Altamira Equity Fund	17.0%
5	Quebec Growth Fund Inc.	15.4%
6	PH&N Vintage Fund	15.4%
7	Marathon Equity Fund	15.4%
8	ABC Fully-Managed Fund	15.2% #
9	PH&N Dividend Income Fund	13.9%
10	Mawer New Canada Fund	13.6%

1 Year Total Return

1	Spectrum United Canadian Resource Fund	-34.4%
2	Atlas Canadian Emerging Growth Fund	-32.8%
3	Atlas Canadian Small Cap Growth Fund	-31.0%
4	Bissett Small Cap Fund	-30.9%
5	20/20 Canadian Resources Fund Ltd.	-29.7%
6	Green Line Energy Fund	-29.6%
7	Altamira Precious & Strategic Metal Fun	-28.3%
8	Green Line Canadian Small-Cap Equity	-28.3%
9	Spectrum United Canadian Growth Fund	-26.8%
10	20/20 RSP Aggressive Equity Fund	-26.8%

3 Year Total Return

1	Altamira Precious & Strategic Metal Fun	-27.5%
2	Global Strategy Gold Plus Fund	-27.4%
3	BPI Canadian Resource Fund Inc.	-23.3%
4	Dynamic Precious Metals Fund	-22.9%
5	Scotia Precious Metals Fund	-22.6%
6	Universal Precious Metals Fund	-21.6%
7	Royal Precious Metals Fund	-20.0%
8	MAXXUM Natural Resource Fund	-19.3%
9	Altamira Resource Fund	-16.9%
10	Green Line Precious Metals Fund	-16.2%

5 Year Total Return

1	BPI Canadian Resource Fund Inc.	-10.5%
2	Altamira Resource Fund	-8.8%
3	Dynamic Precious Metals Fund	-8.7%
4	Industrial Equity Fund Limited	-8.3%
5	Global Strategy Gold Plus Fund	-7.7%
6	Scotia Precious Metals Fund	-7.4%
7	Universal Precious Metals Fund	-4.7%
8	Green Line Resource Fund	-4.4%
9	20/20 Canadian Resources Fund Ltd.	-1.5%
10	MAXXUM Natural Resource Fund	-1.0%

10 Year Total Return

1	Industrial Equity Fund Limited	0.0%
2	BPI Canadian Resource Fund Inc.	2.9%
3	Dynamic Precious Metals Fund	3.0%
4	Industrial Growth Fund	3.7%
5	Green Line U.S. Money Market Fund	4.6%
6	Royal Precious Metals Fund	5.6%
7	Atlas Canadian T-Bill Fund	5.8%
8	Strategic Value Money Market Fund	5.9%
9	Global Strategy Money Market Fund	5.9%
10	C.I. Sector Canadian	5.9%

NOTES TO THE PERFORMANCE TABLES

- ScotiaMcLeod is unable to supply information on funds marked #
- Figures are average rates of return for the periods ending April 30, 1999
- Source data from the Mutual Funds Source Disk, May 11, 1999, which includes over 2400 funds
- Funds with total assets under \$25 million are not included
- Only "totally public" funds are ranked
- RRSP Eligible Funds are at least 80% Canadian content and can also be held outside RRSPs
- Performance figures include reinvested dividends and management fees have been subtracted
- Non RRSP eligible funds can be held inside a ScotiaMcLeod RRSP to a maximum of 20% of book value

Continued from front page

Running an analysis based upon the four alternatives noted above, Joe finds the following results at the end of 25 years, when his mortgage is paid off: For Joe, the best alternative is #2, to make his RRSP contribution of \$13,500 and use the tax refund to pay down his mortgage. This will leave him with an annual after tax retirement income of \$88,585.

Most people would assume alternative #4 would be best, but this would leave Joe with annual after tax retirement income of \$86,382.

	Net Worth	Annual Payment
Alternative 1	1,194,160	85,684
Alternative 2	1,285,170	88,585
Alternative 3	1,062,580	63,768
Alternative 4	1,241,676	86,382

Net Worth = after tax value of built up assets at the end of the accumulation period (25 years)

Annual Payment = after tax retirement income payments for a period of 25 years

Consider also the situation where an investor loses his job. If he had put the same \$13,500 toward his mortgage (alternative #4), he would now find himself in a liquidity crunch. Whereas if he made a \$13,500 RRSP contribution while still employed, he would receive a \$6,750 refund to put toward his mortgage. If necessary, he could later withdraw funds from the RRSP account for emergency use in the year he was unemployed, and assuming he is earning less that year, he would pay less taxes on the withdrawal. Again, alternative #2, contributing to the RRSP first and using the refund to pay down the mortgage is the best choice!

Fred Heads West

The Mutual Fund Reporter Team sadly saw Fred Winterburn off to join his family in a recent transfer to British Columbia. Fred initially joined our team as one of the key contacts at the former satellite office in Hydro Place. Most recently, Fred was a Representative at our Service Centre in Scotia Plaza.

Many of you who counted on Fred for your investment needs can rest assured

that they will continue to be met by the other highly skilled individuals from our group. For a complete listing of our names and a profile of each individual, visit our website at www.mutualfundreporter.com.

Best wishes to Fred and his family on their new endeavors. Who knows, once the dust has settled, perhaps we can hope to see Fred as a western factor at ScotiaMcLeod some time in the future.

Fund News

Trimark has added significant depth and diversity to its investment team by adding 3 key portfolio managers. Kiki Delaney, formerly of the Spectrum United Canadian Equity Fund, has been added to the Trimark team and will commence management of a Canadian equity and Small-Cap fund. Heather Hunt, formerly of the Ontario Teachers Pension Plan Board, will take over management of the Trimark Select Canadian Growth Fund. Also added to the Trimark Investment team is Bill Kanko, previously of Mackenzie. Mr. Kanko was responsible for the Ivy Foreign Equity Fund and also worked on the Universal Select Managers Fund. At Trimark, Mr. Kanko will work closely with the Trimark Fund and Trimark Select Growth Fund.

As of March 31st, 1999, Elliott & Page Ltd. has closed off 3 funds from future purchases: Elliott & Page Bond, Global Balanced, and Global Bond.

O'Donnell Investment Management Corporation will merge with the Strategic Value Corporation to form SVC O'Donnell Corp., wholly owned by SVC. This new Corporation will have a total of \$3.3 billion in assets. This transaction is subject to regulatory and O'Donnell shareholder approval.