

8 Reasons Why an RRSP Does Not Measure Up to the Labourers' Pension Fund

(Part 2 of 8)

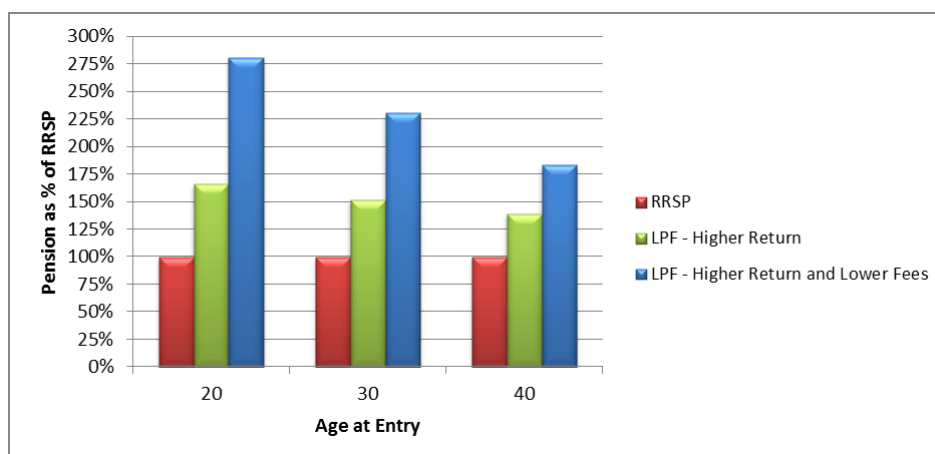
What are the costs hidden in your retirement savings plan?

As an individual investor, there are costs embedded in your RRSP which can be significant. Typical RRSPs will include fees ranging from 2.0% to 2.5% of the value of your assets, and that gets deducted from your investment earnings. Plus there could be additional fees included, such as commissions, when buying and selling stocks. It would be better for you if more of that money went towards your pension at retirement!

Large pension plans, such as the Labourers Pension Fund (LPF), have lower investment management fees as a percentage of the assets than smaller individual funds such as an RRSP. In addition to the investment fees, there are also administrative fees which cover the day to day operations of the plan. Spreading the administrative costs of a pension plan over a large membership base means lower costs per individual. Given the LPF has almost \$5B in assets, and there are currently over 95,000 members in the plan, that means significantly lower fees for you.

It's a fact that the larger the fund, the lower the fees as a percentage of the assets. Average fees for the LPF total approximately 0.75% per annum, less than 1% and much better than what you'd pay as an individual investor! Lower fees means ultimately higher pensions, compared to what the same contributions can provide under an individual RRSP.

Part 1 of this series explained how a professionally managed fund with access to alternative investment strategies, such as the LPF, can earn 1.5% per annum more than an individual RRSP in the long run, and showed the impact on your pension at retirement (the green bar below). Take a look at what an extra 1.5% in annual investment earnings PLUS a reduction in fees of 1.5% does for you in terms of pension at retirement!



In summary, **REASON 2:** Lower fees in the LPF equates to higher pension benefits for you at retirement.

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Stay tuned for the next installment of our 8-part series of the key advantages of the LPF over an RRSP.