

# Why you should look inside your RRSP



**BARBARA STEWART**  
Special to QMI Agency



Based on a survey of 100 women around the world, the data shows that some people have no idea what is inside their RRSP. FOTOLIA

I recently surveyed 100 women around the world and asked them to share their investment asset mix. It seemed like a simple enough exercise – I was looking for the percentage of their overall portfolio invested in each of four categories: Cash, bonds, stocks (also called equities) or real estate. I was curious as to whether we have started to recover our faith in equity markets after so many years of doubt.

Based on the responses, I realized that some people have no idea what is inside their RRSP! They refer to their RRSP as though it is a distinct investment creature – not a structure that contains underlying securities such as stocks and bonds. Some other people gave me the value of their RRSP and said it contained mutual funds. But they had no idea what types of investments made up their mutual funds.

It is critical to understand your asset mix, because (depending on the research study) asset allocation determines somewhere between 75% and 94% of the long-term success of an investment plan.

Seven simple steps for figuring out your asset mix:

**1.** Put all of your investment statements on a big

empty table. You may want to put a cup of tea (or gin) on the table too! Separate them into piles – one pile for each type of account. Most families have several accounts such as non-registered, corporate, trust, RRSP, spousal RRSP, and locked-in RRSP.

**2.** Put four headings at the top of a piece of paper

– cash, bonds, stocks and real estate. You may have additional asset classes (such as wine, art, etc.) depending on your situation.

**3.** Look at each account separately and write down the amount invested in each asset class under the appropriate column heading on your piece of paper.

**4.** Some items on your

statements (such as various mutual funds) might not show the underlying investments. You will need to do a Google search or check a mutual fund web site to pull up a list of the types of holdings in each fund. From there you can determine whether the item should go under the heading of cash, bonds, stocks or

real estate.

**5.** The value of your home and cottage goes under the real estate column.

**6.** Total each column to get the dollar value invested in each asset class.

**7.** Divide the total of each column by the overall dollar value of your portfolio. This will give you the percentage weighting in each asset class. Voila! You now have your asset mix.

Each asset class has different risk characteristics and historical returns. The decision to be in a particular asset class at any point is a serious one – it will determine your chances of meeting your long-term investment objectives.

Take the time to understand what you are invested in and why, or work with a trusted adviser to make sure that your asset mix makes sense.

An RRSP invested entirely in bonds will behave a lot differently than an RRSP invested in stocks. Either might be appropriate depending on your situation but it pays to understand this difference. Invest consciously this RRSP season: mix matters!

—Barbara Stewart, CFA, is with Cumberland Private Wealth Management Inc. Visit her website at [barbarastewart.ca](http://barbarastewart.ca)

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