

In this issue:

- [Corporate Class Funds](#)
- [The New Tax Free Savings Account](#)
- [T-Series Funds](#)
- [Attribution Rules](#)
- [Tax Tips & Tax Checklist](#)
- [Top Funds](#)
- [Get Web Access!](#)

Spring is here, and that means two things are inevitable: warmth and taxes. And while taxes are unavoidable, there's a lot you can do to lighten your tax load.

This issue of E-Wealth Guide is devoted to tax planning. The newsletter will provide you with ideas and information to help reduce the amount of tax you pay, such as investing in tax-efficient mutual funds and taking advantage of income splitting.

Please contact me if you have any questions about these ideas or if you would like to discuss how to make your portfolio more tax-efficient.

Corporate Class Funds: **Maximize profits and minimize taxes**

For the right investor, corporate class funds can really help make your portfolio more tax-efficient. Find out how you can lock-in profits and avoid an immediate tax hit.

[*Full Story*](#)

Tax Free Savings Account: **Helping you save**

The 2008 federal budget proposed a new savings vehicle that will help you save for major purchases – and even for your retirement. The Tax Free Savings Account (TFSA), scheduled to launch in 2009, will allow Canadians over the age of 18 to contribute up to \$5,000 a year in tax-free savings. Read all about this exciting new initiative and how you can benefit.

[*Full Story*](#)

T-Series Funds: **T is for tax-efficient**

Do you need a tax-efficient monthly income stream from your investments, without sacrificing the potential for capital gains? Then the T-Series Funds could be for you.

[*Full Story*](#)

Attribution Rules: **Finding ways to lower taxes**

Income splitting can be a great way to minimize your family's tax burden. As an investment strategy, it should not be overlooked. However, the government has put in place a series of complicated attribution rules that block many income-splitting opportunities. In this issue of E-Wealth Guide, we introduce you to the attribution rules – with the caveat that professional advice should be sought to fully understand them and how they apply to your specific situation.

[*Full Story*](#)

Tax Tips

Click back to my homepage to read our Top Ten Tax Tips for ways to minimize taxes.

Tax Checklist

Click back to my homepage to print a copy of our comprehensive Tax Checklist

to help ensure you haven't missed any sources of income or potential deductions.

Top Funds

Global geopolitical instability and the credit crunch in the U.S. have contributed to the ongoing volatility in the markets. Some regions and sectors are down, while others are up – which is why diversification and staying invested are so important. To find out which funds are currently performing well, click the links below.

- [Canadian Focused Equity - Best Performers](#)
- [Canadian Fixed Income - Best Performers](#)
- [Global Equity - Best Performers](#)

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Corporate Class Funds: Maximize profits and minimize taxes

When it comes to mutual fund investing, it's not just size that matters – it's structure. Structure counts when you redeem: If you are invested in traditional mutual funds outside your registered account, and want to sell units of a fund that have increased in value since you bought them, you could be hit by capital gains tax.

That's because a traditional mutual fund is structured as a trust, and its tax efficiencies are advantageous to the fund company, rather than to you, the investor. But corporate class funds are designed as a holding corporation, set up by a fund company to invest in a group of mutual funds, and to be tax-efficient to the investor. They protect you from capital gains tax – as long as you use the proceeds of a sale to buy into another class of the same fund company's holding corporation.

This means you can move in and out of funds within the same corporate class without triggering an immediate tax hit. And this is the beauty of corporate class funds: They allow you to lock-in the profits from a winning mutual fund. (Of course, taxes apply when the units of a corporate class fund are redeemed for cash.)

Corporate class funds are ideal for higher net worth investors who have maximized their RSPs and who tend to take a more aggressive approach to building an unregistered portfolio. They are also useful when rebalancing. Their value, however, is wasted on investors with a buy-and-hold strategy who are content to stick with a properly diversified portfolio.

When choosing a corporate class fund family, look for one with a wide variety of available funds. Ideally, it should include Canadian, U.S., global equity, sector and money market funds, as well as offering differing management styles. Fees are also a consideration: corporate class funds used to have higher fees, but today many fund companies are offering them with the same MER as their traditional counterpart.

For the right investor, corporate class funds can be a great way to make your portfolio more tax-efficient. And, over the long term, tax-efficient investing can have a positive impact on the value of your portfolio.

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The New Tax Free Savings Account: Helping you save

Savings are an important part of your investment portfolio – and your peace of mind. They also help you invest in your future and improve your standard of living, and contribute to the country's economic growth.

The 2008 federal budget included several proposals to reduce taxes and promote savings, as part of an ambitious economic agenda intended to create a Canadian tax advantage. The Tax Free Savings Account (TFSA) is one of the new initiatives proposed, and if it passes into law, it will start in 2009.

The TFSA is a flexible, general-purpose, tax-efficient savings vehicle that complements existing registered savings plans. Under the proposed terms of the account, individuals over the age of 18 will be allowed to contribute up to \$5,000 a year in tax-free savings.

While contributions are not tax-deductible, capital gains and other investment income earned in a TFSA will not be taxed, and withdrawals will also be tax-free. Unused room can be carried forward, and withdrawals will create contribution room for future savings. Contributions to a spouse's or common-law partner's TFSA will also be allowed.

You stand to benefit from a TFSA in many ways. It is ideal for saving for major purchases, such as a car or home renovation, and provides an attractive alternative for retirement savings, as there are no tax consequences on withdrawals. If you are over the age of 71, it offers a much-needed tax-efficient savings vehicle.

The types of investments that qualify for a TFSA are about the same as those for a RSP, and include mutual funds.

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T-Series Funds: "T" is for tax-efficient

Successful investing relies on many factors, including employing tax-efficient strategies. T-Series Funds are mutual funds that are designed to be tax-efficient. In fact, the "T" stands for tax and implies they are tax-efficient.

If you need a tax-efficient monthly income stream from your investments, without sacrificing the potential for capital gains, T-Series Funds could be for you. Designed for non-registered accounts, T-Series Funds are becoming increasingly popular. They are attractive to investors because they distribute return of capital (ROC), which is not immediately taxable.

When mutual funds make payouts in the form of interest, dividends or capital gains, they are taxed in the same year they are distributed. But the distributions from T-Series Funds are not taxed until your investment capital is depleted – in other words when the adjusted cost base (ACB) reaches zero – or until the units are sold.

This ability to defer taxes is one reason why T-Series Funds are considered tax-efficient. The other reason is that when the distributions are taxed, they are treated as capital gains, which are taxed at rates lower than interest income.

A fund that gives you control over when you incur a tax liability, allowing you to defer taxes, can be beneficial in several ways. You will benefit from higher after-tax income and the compounding effects of a larger investment. Plus, you may also be able to reduce the amount of tax you pay in the future, due to lower marginal tax rates or lower capital gains inclusion rates.

When considering T-Series Funds, look at payout rates, as they vary. Also look for T-Series Funds that make investment sense: Poor returns will result in smaller monthly distributions. Some funds are designed so that the ROC distribution takes up all or most of the expected return, enabling you to maintain your original investment in the fund.

As an added bonus, T-Series Funds that are part of a corporate class structure allow you to switch between asset classes without triggering a capital gain.

Finding the right investment vehicle for the right investor is part of the art of financial management. The flexibility and convenience of T-Series Funds could be ideal for you.

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Attribution Rules: Finding ways to lower taxes

Income splitting is a strategy for decreasing the tax burden of a family. Here's how it works: Money or property is loaned or transferred to a lower-income family member so that gains are taxed at a lower rate. It can be a great way to minimize taxes, but attribution rules can block many of these opportunities.

The first thing you need to know about attribution rules is that they are very complicated. The rules were designed to prevent attempts to shift income to another person by attributing it back to the person who transferred the money or property.

In other words, if a wife transfers investments to her lower-income husband, income realized on the investments could be assigned back to the wife. So, while the husband receives the income, the wife still pays tax on it at her marginal rate, and the family is no further ahead.

There are a lot of rules in the Income Tax Act pertaining to attribution, and many of them are intended to foil circumvention of the general rules. One of the most misunderstood attribution rules is significant because of its scope. The rule states that trust income is attributed to the person who transfers property to a trust when that person reserves the right to take back the property or retain some control over it. This rule applies to certain specific circumstances, and professional guidance is advised.

However, in spite of the numerous attribution rules, some income-splitting opportunities do exist. For example, a higher income family member can pay all of the family's living expenses, leaving the lower income person with more to invest. Also, the child tax benefit may be invested in a child's name without any attribution of income back to the parents.

As in all matters related to tax planning, it's important to understand the rules and how they affect your specific situation.