

## **For Immediate Release**

### **Innovative Funds Save Tax on Investments Outside Your RRSP**

Calgary, Alberta, November 7, 2007 – Investors have options available to mitigate, if not completely eliminate, taxes on any annual growth in a non-registered investment through the use of a mutual fund corporation.

In a traditional non-registered investment structure taxes are due annually on any interest earned, dividends paid or realized capital gains. Interest income, which is earned from more conservative investment vehicles such as bonds and mortgages, is the least favourable type of investment income to earn from a tax perspective because it's taxed just like regular income –at your highest marginal rate.

“As investors become older and wealthier they tend to hold more fixed income in their portfolios in order to reduce risk. By using a mutual fund corporation investors are able to invest in fixed income but minimize the amount of tax on those holdings they would otherwise have to pay” says Mike Robinson, a Calgary financial advisor and principal of Signature Financial Security.

Mutual fund corporations use a pooling mechanism to deduct the expenses of operating an equity fund against the earnings generated in a cash or fixed-income fund first (which earn less tax efficient income), and then against dividends and capital gains earned in the equity pools (more tax efficient). Through this mechanism, if there are any taxable earnings left to distribute out to investors they are either dividends or capital gains, but never interest income. In many years investors receive no taxable distributions at all, although they receive all the growth. Investors may see a downward adjustment to their adjusted cost basis (ACB) and pay a capital gain when they redeem out of the corporation.

Robinson, a wealth management expert in Calgary notes “investors may pay a capital gain when they redeem out of their investment but it's deferred until the time of redemption, it's at a lower tax rate than on interest income and assuming investors don't cash in their portfolio all at once, they can spread the capital gain out as they withdraw over time.”

The end result is that investors with non-registered money are able to defer and reduce annual taxes on their investments, which means the potential for higher investment returns, and given the range of investment options available, investors don't need to change their investment style or investor profile in order to achieve this level of tax efficiency.

*Signature Financial Security is an independent, professional wealth management and retirement planning firm in Calgary, Alberta, specializing in working with successful affluent and self-employed individuals. Visit [www.signaturefs.ca](http://www.signaturefs.ca) to see The Signature Difference.*

-30-

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Mike Robinson is an investment representative of Quadrus Investment Services Ltd.

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