

Maximizing your RRSP Contribution, and STILL paying too much tax?

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Flow Through Limited Partnerships are investments derived from a strategy built into the Income Tax Act. They are one of the few remaining tax-assisted investments available to Canadian investors.

Recent government actions have reduced or eliminated the attractiveness of alternatives, such as mutual fund limited partnerships, donations of art (and some other gifts in kind) to registered charities, and some film partnerships.

Flow Through Shares provide you with a similar effect on your taxable income as an RRSP contribution through tax credits provided by the underlying investments. The holding period can be 18 months to two years. This converts income into capital gains at the end of the holding period. This can cut your tax bill on that income by up to 50% and push it two years into the future, when you can offset it again.

Depending on your income level and your personal tax situation, this can bring you down to a lower tax bracket, increase/create a tax refund, convert income that is taxed at a higher rate to lower taxable income, defer tax owing now to a future year, and fund another investment or financial goals.

Beyond the basic tax benefits of Flow Through Shares, you can use this to complement and enhance other financial strategies, such as:

- Recipients of large lump sums of income can offset the taxes owing;
- Augment RRSP savings;
- Fund Charitable Donations, while getting additional tax advantages;
- You can take advantage of capital losses carried forward from other investments.
- Fund the tax sheltered component of a Universal Life policy;
- Fund a large purchase, like a sports car; or
- Corporations can take advantage of tax free withdrawals from a capital dividend account.

Flow Through Shares are only made available a couple of times a year and the tax benefits are based on calendar year. As we are in the last quarter of 2007, this strategy needs to be considered now to apply it against this year's income.

It needs to be noted that there are risks involved, as with any other equity investment. This strategy isn't for everyone, yet it is a great opportunity for those who fit. Talk to a professional to ensure it is suitable for your investment profile.

For additional information on how this works and the strategies available, I can be reached at jennifer_spallin@canaccord.com or 613-755-4257. I am happy to pass some material along.