CORPORATE CLASS

What is Corporate Class?

One or more mutual funds structured as a corporation rather than a trust. This enables investors to make investment decisions without being affected by tax concerns and allows them to benefit from tax deferral and increased compound growth over the long term.

How can it be used?

- To minimize or eliminate annual distributions.
- To receive tax-efficient capital gains or Canadian dividends from traditional income funds.
- To rebalance your portfolio on a regular basis without triggering capital gains or losses.
- To potentially lower your taxes, because you can defer them and choose when to realize capital gains.
- To allow for tax-efficient charitable donation planning.
- To preserve or increase income-tested government benefits.

Who uses it?

- Any investor with non-registered assets should consider Corporate Class, especially if you:
    - have maximized your tax-free savings account contributions
    - are a higher-income earner who has maximized your RRSPs
    - or are worried about clawbacks to your Old Age Security or other income-tested government benefits.
- A corporation with investable assets.

<u>Case Study</u>

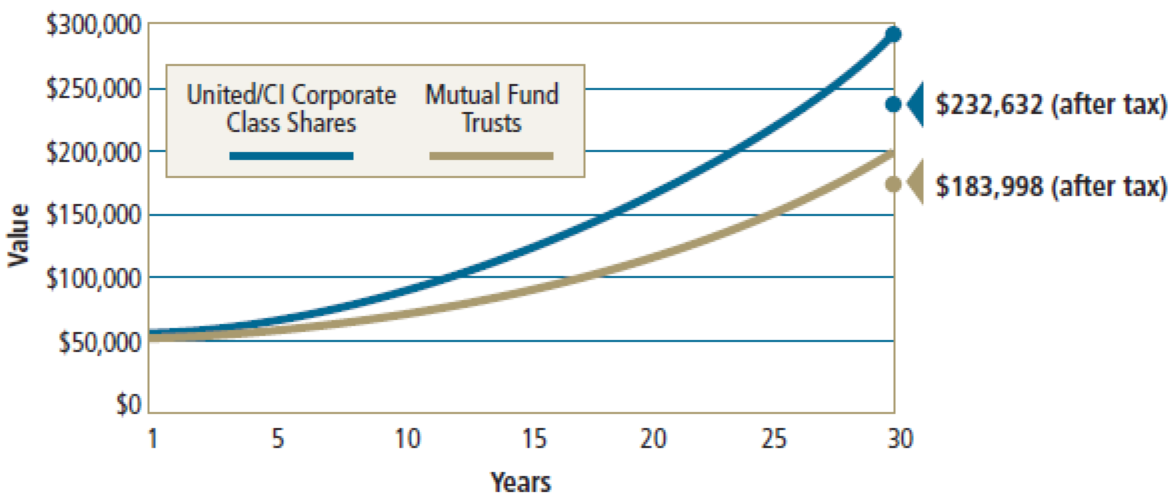
Janet and Paul have been investing their money for the past 10 years and have built a sizeable non-registered portfolio. Their account is a conservative, balanced portfolio with a mix of interest income, dividends and capital gains making up the return. However, the yields they are receiving, on an after-tax basis, are not providing the returns they hoped for. Janet and Paul are concerned that they will have to pursue a potentially riskier investment strategy in order to obtain higher after-tax returns.

Solution

Janet and Paul invest in Corporate Class investment funds. By doing so they are able to minimize distributions and receive tax-efficient capital gains or Canadian dividends from income funds, thereby reducing their tax bill and increasing their after-tax returns. Furthermore, as Janet and Paul's investment objectives change, they can rebalance their portfolio inside the corporation without realizing any taxable capital gains.

The power of tax-deferred compounding is illustrated in the graph below where Janet and Paul could save $35,000 in taxes over 30 years on an initial investment of $50,000. When they retire, Corporate Class could reduce clawbacks of their Old Age Security and trim their annual tax bill. Ultimately, Janet and Paul not only save taxes, but are also able to build a considerable nest egg to leave their children and grandchildren.

The Power of Tax-Deferred Compounding



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Source: Assante Wealth Management Generations series, "Corporate Class". January 2011. Content provided by the United Financial Wealth Planning Group.

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