



FINANCIAL STRATEGIES FROM **KURT ROSENTRETER**

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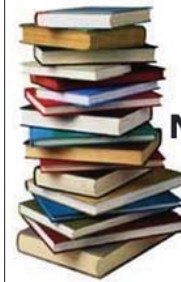
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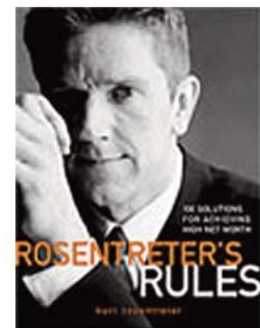
Are You a Tax Smart Investor?

Take this self-test to determine if you are appropriately maximizing after-tax investment returns and have built a tax smart investment portfolio:

1. Are you reviewing after-tax rate of return on your investments each year? The published rates of return for investments in the newspapers are pre-tax, not after-tax returns, and are arguably the wrong information for a taxable investor to base decision on. You need to focus on cash in your pocket, after-tax.
2. Are you building different investment portfolios between your RRSPs and your taxable savings? Your RRSPs are tax sheltered while your taxable savings are taxable annually, potentially requiring completely different investment approaches and products in each account.
3. Are you placing highly taxed investments in your RRSPs where they are tax sheltered, and are you placing lower taxed investments in your taxable accounts to overall reduce investment taxation?
4. Are you incorrectly holding the same mutual fund in your taxable investment account as your RRSP accounts? Given that specific mutual fund has unique tax characteristics, it likely belongs in one account or the other, but not both.
5. Are you building different investment portfolios for you and your spouse or children, given each of you is in a different marginal tax bracket, warranting a different tax smart investing approach and products?
6. If your taxable portfolio is generating investment income annually, have you done all you can to minimize unnecessary investment income that you don't need to spend? For example, have you looked to sell investments that generate interest and foreign dividends?
7. If you need investment income to live off, have you organized your investment income to maximize after-tax cash flow? For example, capital gains returns are now taxed at almost half the rate of interest income. Dividend income is also taxed at lower rates. Is your portfolio constructed to take advantage of these lower taxed forms of income?
8. Do you monitor portfolio turnover in your taxable investment accounts and seek to minimize this turnover? Portfolio turnover is the rate of buying and selling that occurs in your portfolio each year, and generally you should want to minimize this trading in your taxable accounts as it causes undesirable taxation.



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9. Are you paying investment fees that are tax deductible? Generally, you should prefer to pay asset based fees charged by your financial advisor instead of commission fees. Asset based fees can be more tax friendly.
10. Have you avoided purchasing a lot of labour sponsored investment funds despite their attractive tax breaks? Many investors excessively focus on the tax breaks of labour funds, ignoring whether the investment can actually stand on its own. This is tax-foolish.
11. Do you thoroughly research tax specialty investments before purchasing and selling? Examples of specialty investments that require special caution include tax shelters, royalty trusts, real estate investments and limited partnership investments.
12. Do you own a significant amount of foreign investments and are you aware of the many foreign tax issues of owning foreign investments? The tax rules have changed in recent years that require close review of any foreign investment holdings you have, including real estate and foreign stocks.
13. Do you evaluate portfolio managers and mutual funds using tax planning criteria along side your investment criteria? The tax consequences of investing can greatly impact your returns and every money manager should be asked tax planning questions about the tax techniques they use to manage money.
14. Do you have a personal tax planning review of your entire financial scenario at least every three years? A review may uncover missed tax planning strategies or new strategies for your consideration. Having your tax return prepared is generally not considered a tax planning review.
15. Do you understand the tax attributes of the many kinds of investments available for sales in Canada today? For example, segregated funds, clone funds, corporate class mutual funds, wrap programs, individually managed accounts, and so on? The tax characteristics can vary widely depending on the product and have a great impact on your bottom line returns.
16. Does your Financial Advisor have the skill set and desire to assist you to maximize after tax wealth? Do they have a copy of the Income Tax Act in their office and do they know it well?
17. Are your retirement cash flows structured to maximize after-tax cash flow?
18. Have you examined the appropriate use of an RRSP in your financial situation? For example, do you need an RRSP at all?
19. Have you optimized after-tax investment planning among all your close family members? There is often more ability to plan as you include more people.
20. Do you feel you have done everything you can to be tax smart in your investing approach and your overall approach to managing your personal finances?

Call us to schedule a second opinion review of your tax smart investing.



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The Wealth Management Practice of Kurt Rosentreter

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