



Exploring the Math: Contribute to an RRSP or Invest in a Flow-Through LP

Purchase RRSP Eligible Mutual Fund		Purchase Flow-Through LP (assume roll to a mutual fund)	
Investment Amount:	\$18,000	Investment Amount:	\$18,000
100% Tax Savings:* (year of RRSP contribution)	\$ 8,100	100% Tax Savings:* (year of purchase or carry forward unused deduction)	\$ 8,100
Capital at-risk is:	\$9,900	Capital at-risk is:	\$9,900
Deregister RRSP mutual fund - proceeds: (assume for original Investment Amount)	\$18,000	Redeem rollover mutual fund - proceeds: (assume for original Investment Amount)	\$18,000
Tax on RRSP mutual fund redemption: $\$18,000 \times 45\%^* =$	<u>(\$ 8,100)</u>	Tax on sale of mutual fund: $\$18,000 \times 50\% = \$9,000 \times 45\%^* =$ (assume zero cost base, taxed as capital gain)	<u>(\$ 4,050)</u>
Net Investment Result:	<u>\$18,000</u>	Net Investment Result:	<u>\$22,050</u>

* Based on a marginal tax rate of 45% and assumes investor's marginal tax rate remains at 45%.

Investment Tax Planning Tip:

- Borrowing for an RRSP investment? Remember the interest on a loan for an RRSP **is not** tax deductible.
- Borrowing for a flow-through limited partnership investment? Remember the interest on a loan for flow-through **may be** tax deductible (see your Tax Accountant for tax advise).

CONCLUSION:

**There may be an “after-tax” advantage of investing in a
flow-through limited partnership versus
contributing to a RRSP!**