



Maximizing Your Flow-Through Tax Savings Using an RRSP Reinvestment Strategy

Investors who invest in flow-through limited partnerships can use a strategy where they contribute their flow-through tax savings to an RRSP to help fund retirement savings.

For example, here is how it can work for an investor...

- 1) Invest \$10,000 in a flow-through limited partnership and receive a 100% tax deduction;
- 2) Claim \$10,000 flow-through tax deduction on tax return and receive \$4,500 in tax savings;
- 3) Contribute the \$4,500 in tax savings to an RRSP (note: can also be a spousal RRSP contribution);
- 4) The following year, claim an RRSP deduction on income tax return;
- 5) Receive another RRSP tax savings which can be re-invested once again in an RRSP, which triggers another tax savings.... (see chart below).

Based on a \$10,000 Flow-Through Investment		
	RRSP Contribution	Tax Savings*
Year 1 (flow-through tax savings)	\$4,500.00	\$2,025.00
Year 2	2,025.00	911.25
Year 3	911.25	410.06
Year 4	410.06	184.53
Year 5	184.53	
Total	\$8,030.84	\$3,530.84

* Based on a marginal tax rate of 45%

CONCLUSION

After five years the investor's initial \$4,500 of flow-through tax savings has created \$8,030.84 of RRSP contributions. Looking at it differently, the investor recovers approximately **80%** of their flow-through investment from tax savings!

Repeat the flow-through investment / RRSP contribution scenario ten times (as shown above) and the total RRSP contributions jumps to \$80,308.40!