

Investor Education

FOR MORE INFORMATION ON THIS WEALTH MANAGEMENT STRATEGY, PLEASE CONTACT YOUR CANACCORD ADVISOR.

CANACCORD Wealth Management

Your Source of Investment Income

Really Does Matter

When evaluating your investments it is important to understand the different taxation methods used on different types of investment income. For tax sensitive investors, there are several investment strategies to focus on to help ensure the best tax treatment of your investment income.

Interest income and foreign dividend income are treated the same as earned income—fully taxable! If minimizing taxes is a priority, there are other ways to invest your savings.

Capital Gains income is taxed at a 50% inclusion rate, resulting in only half the capital gains being taxed.

Eligible Dividend income is “grossed up” by 45% to determine the taxable amount of dividends, although a dividend tax credit of approximately 19% is also currently provided. The tax credit may actually exceed the amount of taxes due, resulting in the possibility that those in lower tax brackets may receive a *refund* as a result of their dividend income. Note that the taxable advantages of dividend income vary from province to province.

The table below illustrates the top marginal tax brackets using British Columbia and Ontario as examples.

For the 2009 tax year, if you made \$1,000 of investment income in each of these categories, the resultant taxes are as follows:

Province/Territory	Interest ¹	Eligible Dividends ²	Capital Gains
British Columbia	\$437.00	\$184.70	\$218.50
Ontario	\$464.10	\$239.60	\$232.50

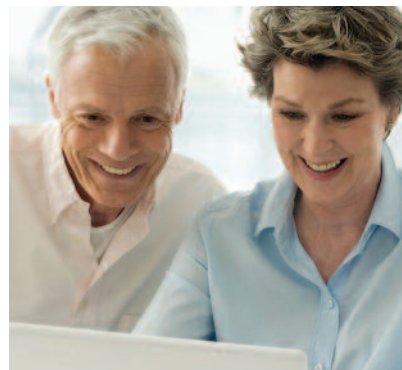
1 Interest and Foreign Dividends

2 Dividends received from Canadian Corporations (not eligible for small business deduction)

Let's look at the other end of the spectrum to see how much income you could receive without attracting taxes for the three investment income categories if you only had access to the *basic personal exemption* and the *dividend tax credit*.

For 2009, the basic personal exemption is \$10,375, which is the amount of interest income you can earn before you start paying taxes. It's no surprise that the amount of capital gains available is far greater than this amount, but what is surprising is how much more the amount of eligible dividends you can receive without paying any taxes.

May 2010



THERE ARE SEVERAL INVESTMENT STRATEGIES TO FOCUS ON TO HELP ENSURE THE BEST TAX TREATMENT OF YOUR INVESTMENT INCOME.

Province/Territory	Interest ¹	Eligible Dividends ²	Capital Gains
British Columbia	\$10,375	\$40,726	\$20,750
Ontario	\$10,375	\$36,848	\$20,750

As you can see, eligible dividends are looking a lot more attractive for their tax treatment when compared to interest and capital gains.

Investment Idea: If you are in a household with one bread winner and the other has nominal income, load up on blue chip quality, high dividend paying stocks for the lower income earner. If your household has two bread winners, increase exposure to dividend income, rather than from interest income and even capital gains, because for the majority of Canadians, this category is the most tax advantageous.

If you would prefer a simpler approach and you have some RRSP or RESP room, invest in your RRSP/RESP. These funds are tax sheltered in a registered account until you start withdrawing income—so you don't have to worry about your annual tax implications.

Keep in mind these are general guidelines. Your Canaccord Advisor can help you determine the most appropriate strategies for your financial situation. Please consult with your tax advisor.

www.canaccord.com

Canaccord Wealth Management is a division of Canaccord Genuity Corp., a member of the Canadian Investor Protection Fund and IIROC. The information contained in this document is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it does Canaccord Genuity Corp. assume any liability. This information is given as of the date appearing on this document, and Canaccord Genuity Corp. assumes any obligation to update the information or advise on further developments relating to the information provided herein. This document is intended for distribution in those jurisdictions where Canaccord Genuity Corp. is registered to do business in securities. Any distribution or dissemination of this document in any other jurisdiction is prohibited.