NexGen Wealth Accumulation Case Example

2013

CAPITAL DIVIDEND ACCOUNT

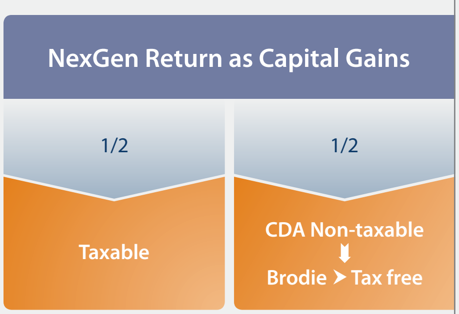
SYNOPSIS

A Canadian Controlled Private Corporation reports its annual taxable activity on a T2 Corporate Tax Return.

Part of that return is an account called a Capital Dividend Account (CDA).

Among other things, the non-taxable half of a realized capital gain is added to this account in order to track the amounts that can be received tax free.

After the corporation's year end, after filing an election form with CRA, a positive balance may be paid to any class of shareholder free of tax, both in the corporation and in the hands of the shareholders.



FOR EXAMPLE

Brodie is the sole shareholder of his corporation through which he runs a successful marketing business.

He is in the highest marginal tax bracket and is always looking for tax efficient cash flow to enhance his lifestyle.

He has after tax funds invested in his corporation, but like most owner managers, is unwilling to purchase equities with his hard-earned savings.

His conservative interest bearing investments do not add any value to his company's CDA.

NEXGEN SOLUTION

Brodie may invest his corporate after tax funds in any of the NexGen Funds.

By coupling these choices with the Capital Gains Class, he can distribute any annual growth from his investments as a capital gain.

Half of these net capital gains are added to his corporation's CDA, each year. The other half will be taxable in the corporation's T2 tax return.

RESULT

Brodie will generate positive CDA balances accumulated by the tax free half of any capital gain income that may be paid to him at no tax cost.

He may also choose to generate these capital gains by using investments (such as Cash, Canadian Bond and/or Balanced Funds) that ordinarily distribute only interest and other highest tax rate investment income.

INVEST BETTER: Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the Cash Funds will be able to maintain their net asset value per security at a constant amount or that the full amount of your investment in the Funds will be returned to you.

The payment of distributions for Dividend Tax Credit Class and the Return of Capital Class should not be confused with a mutual fund's performance, rate of return or yield. If distributions paid by a mutual fund are greater than the performance of the fund, then your investment will decline. Distributions paid as a result of capital gains realized by a mutual fund and income and dividends earned by a fund are taxable in your hands in the year they are paid. For Return of Capital Class, your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base goes below zero, then you will have to pay capital gains tax on the amount below zero.

Tax liabilities on investment income and capital gains earned by a mutual fund cannot be mitigated nor can they be fully managed in all circumstances. The risk increases the greater the investment return earned by the mutual fund. As a result, a mutual fund may be required to make taxable distributions to investors in a NexGen Tax Class for which a distribution or type of distribution is not optimal or in accordance with their tax preference. The tax efficiency of the Return of Capital Class and the Compound Growth Class is enhanced the greater the demand for the Capital Gains Class, Dividend Tax Credit Class and the Registered Fund Class.

USE OF TAX CASES: These cases have been established by NexGen. The contents and information contained in the Tax Cases are for informational and educational purposes only and should not be construed as legal, tax or investment advice. Information contained within this cases is believed to be accurate and reliable at the date of creation, however, NexGen cannot guarantee that such information is complete or accurate or that it will remain current. The information is subject to change without notice and NexGen cannot be held liable for the use of or reliance upon the information contained in the NexGen Tax Cases.

The rates of return, annual distribution rates and income components comprising a given distribution contained in the tax cases and reflected in certain graphs and tables are for illustrative purposes only utilizing various assumptions to demonstrate the importance of compound growth and the effects of taxation on a given investment. They are not intended to reflect, nor should they be interpreted, as an indication of future values or returns on investment in respect of any NexGen Fund. 04/12

Our National Sales Team

TORONTO

Dale Durand, *VP Estate and Tax Planning*
Ph: 416 994 0063
E: ddurand@nexgenfinancial.ca

Chris Guthrie, *Senior VP Sales*
Ph: 416 985 2507
E: cguthrie@nexgenfinancial.ca

Remek Debski, *Regional Sales Representative*
Ph: 416 775 3724
E: rdebski@nexgenfinancial.ca

TORONTO

Charlotte Stanley, *VP Sales*
Ph: 647 993 3714
E: cstanley@nexgenfinancial.ca

GTA WEST, HAMILTON / NIAGARA / NEWFOUNDLAND

Adrian van Hooydonk, *VP Sales*
Ph: 905 537 7497
E: avanhooydonk@nexgenfinancial.ca

Jennifer Boros, *Regional Sales Representative*
Ph: 416 775 3706
E: jboros@nexgenfinancial.ca

BRITISH COLUMBIA & EDMONTON

Karl Palmen, *VP Sales*
Ph: 604 418 4936
E: kpalmen@nexgenfinancial.ca

BRITISH COLUMBIA

Doug Taylor, *VP Sales*
Ph: 778 919 8428
E: dtaylor@nexgenfinancial.ca

Kevin Hutchinson, *Regional Sales Representative*
Ph: 416 775 3710
E: khutchinson@nexgenfinancial.ca

CENTRAL & EASTERN ONTARIO

Edward Ku, *Regional Sales Manager*
Ph: 416-775-3716
E: eku@nexgenfinancial.ca

SOUTHWESTERN ONTARIO

Jeremie Dixon, *Regional Sales Manager*
Ph: 519 830 6653
E: jdixon@nexgenfinancial.ca

Eve Makarova, *Regional Sales Representative*
Ph: 416 775 3738
E: emakarova@nexgenfinancial.ca

ALBERTA & INTERIOR B.C.

Shannon Jones, *Regional Sales Manager*
Ph: 403 389 1381
E: sjones@nexgenfinancial.ca

ALBERTA

Warren Rody, *VP Sales*
Ph: 403 605 7924
E: wrody@nexgenfinancial.ca

Robert Wilson, *Regional Sales Representative*
Ph: 416 775 3730
E: rwilson@nexgenfinancial.ca

OTTAWA

Lionel Dubois, *VP Sales*
Ph: 613 220 0850
E: ldubois@nexgenfinancial.ca

QUÉBEC

Laurent Biron, *VP Sales*
Ph: 514 296 7044
E: lbiron@nexgenfinancial.ca

Tim Knight, *Regional Sales Representative*
Ph: 416 775 3739
E: tknight@nexgenfinancial.ca

NexGen Financial Limited Partnership
36 Toronto Street, Suite 1070, Toronto, Ontario M5C 2C5

Ph 866 378 7119 Fax 866 378 7121
Ph 416 775 3727 Fax 416 775 3737

NexGen Financial