

The Tax Man Cometh

Investment and Taxation

LSIF Tax Credits

Attention All "Parkers"

The effect of taxation on your bottom line cannot be ignored when it comes to your investment portfolio. The most obvious example of course is the tax advantage that comes with making your RRSP contribution each year, but non-registered investments should also be looked at closely.

Not only should you be putting together a diversified portfolio, but also a portfolio which minimizes, as far as possible, the tax consequences on the resulting income.

Knowing your marginal tax rate – the amount of tax that is applied to each additional dollar of earned income – is an obvious place to start. You then need to consider how tax is assessed on the various types of investment income available, since not all income is taxed in the same manner.

Although there are many different types of investment options available there are only three types of investment income: interest, dividends, and capital gains.

Interest income received from investments such as savings accounts, bonds,

GICs and Money Market Funds is taxed at your marginal tax rate. As a rule of thumb, if you are taxed at the highest marginal tax rate you must earn at least \$1.36 of interest income to receive the same amount of after-tax cash from \$1.00 of Canadian dividend income.

MARGINAL TAX RATES OF INDIVIDUALS RESIDING IN ONTARIO

\$0 - \$29,589	25.70%
\$29,590 - \$49,999	39.30%
\$50,000 - \$59,179	41.80%
\$59,180 - \$61,999	46.60%
\$62,000 +	51.60%

Dividends received from taxable Canadian corporations through individual stocks and equity funds are taxed at a lower rate than interest income because of the dividend tax credit that is applied. (The corporation has already paid tax on the income that is being distributed to shareholders therefore the dividend is taxed at a lower rate in shareholders' hands.) Dividends received from foreign corporations, however, are not eligible for this tax credit.

Capital Gains reflects the difference between what you paid for an asset and what you sold it for. Expenses

incurred in purchasing or selling the asset further reduce the amount of the gain or loss. When you sell stocks and/or bonds, either directly or through mutual funds, the gain is considered a "capital gain" and only 75% of the gain is taxed at your marginal tax rate compared to 100% of interest income.

Because assets held inside of an RRSP are not subject to taxation until they are withdrawn from the plan, it is generally preferable from a tax standpoint to hold interest bearing investments inside an RRSP and dividend and capital gains producing investments in non-registered investments to take maximum advantage of the preferential tax treatments.

For a review of your account with a view to tax effectiveness, *call the Mutual Fund Reporter Service Center at (416) 863-7777 or 1-800-387-9273.*

**Remember,
the last date for
filing your 1998
personal tax return
is April 30, 1999!**

RRSP Eligible FUNDS

TOP TEN

1 Year Total Return

1	C.I. Sector Global Telecommunications	75.4%
2	MAXXUM American Equity Fund	59.5%
3	BPI Global Opportunities Fund	56.4%
4	Fidelity Focus Technology Fund	51.0%
5	Altamira Science and Technology Fund	48.6%
6	Spectrum United Global Telecomm	46.1%
7	Ethical North American Equity Fund	45.7%
8	Talvest Global Sci & Technology CS	43.7%
9	First Trust Pharmaceutical Trust 1997 C	42.7%
10	BPI American Equity Value Fund	42.6%

3 Year Total Return

1	BPI Global Opportunities Fund	43.1%
2	Ethical North American Equity Fund	38.6%
3	MAXXUM American Equity Fund	36.7%
4	AGF American Growth Class	34.3%
5	AIM European Growth Fund	31.1%
6	BPI American Equity Value Fund	30.5%
7	Altamira Science and Technology Fund	30.2%
8	Royal & SunAlliance U.S. Equity Fund	29.0%
9	Elliott & Page American Growth Fund	26.1%
10	McLean Budden American Growth Fund	26.1%

5 Year Total Return

1	Ethical North American Equity Fund	29.0%
2	AGF American Growth Class	27.0%
3	Green Line Science & Technology Fund	27.0%
4	AIM Global Health Sciences Fund	26.1%
5	BPI American Equity Value Fund	24.5%
6	Spectrum United American Growth Fund CS	24.5%
7	Green Line U.S. Index Fund US	22.9%
8	McLean Budden American Growth Fund	22.4%
9	AIC Value Fund	22.1%
10	Altamira U.S. Larger Company Fund	21.5%

10 Year Total Return

1	PH&N U.S. Pooled Pension Fund	20.1%
2	McLean Budden American Growth Fund	19.7%
3	AGF American Growth Class	19.5%
4	Spectrum United American Growth Fund CS	19.2%
5	PH&N U.S. Equity Fund	18.9%
6	Ethical North American Equity Fund	17.6%
7	Green Line U.S. Index Fund US	17.1%
8	Royal U.S. Equity Fund CS	16.1%
9	Elliott & Page American Growth Fund	15.9%
10	Spectrum United American Equity Fund	15.5%

BOTTOM TEN

1 Year Total Return

1	20/20 Latin America Fund	-55.6%
2	C.I. Latin American Fund	-39.4%
3	Fidelity Latin American Growth Fund	-34.5%
4	Green Line Latin American Growth Fund	-33.4%
5	Scotia Latin American Growth Fund	-33.0%
6	Fidelity Emerging Markets Portfolio Fund	-29.8%
7	Spectrum United Emerging Markets Fund	-28.3%
8	Green Line Emerging Markets Fund	-28.2%
9	C.I. Sector Pacific	-26.6%
10	BPI American Small Companies Fund	-26.4%

3 Year Total Return

1	Fidelity Emerging Markets Portfolio Fund	-23.5%
2	AGF Asian Growth Class	-20.9%
3	Royal Asian Growth Fund	-17.7%
4	Universal Far East Fund	-17.5%
5	Ethical Pacific Rim Fund	-16.8%
6	C.I. Sector Pacific	-16.4%
7	C.I. Pacific Fund	-15.8%
8	Altamira Asia Pacific Fund	-15.0%
9	Green Line Asian Growth Fund	-13.7%
10	Talvest Asian Fund	-13.1%

5 Year Total Return

1	Altamira Asia Pacific Fund	-12.8%
2	C.I. Latin American Fund	-12.4%
3	C.I. Sector Pacific	-10.9%
4	Royal Asian Growth Fund	-10.8%
5	Universal Far East Fund	-10.5%
6	C.I. Pacific Fund	-10.5%
7	AGF Asian Growth Class	-10.3%
8	20/20 Latin America Fund	-10.3%
9	Green Line Emerging Markets Fund	-9.2%
10	Talvest Asian Fund	-8.5%

10 Year Total Return

1	Royal Japanese Stock Fund	-2.9%
2	AGF Japan Class	0.7%
3	C.I. Sector Pacific	1.8%
4	C.I. Pacific Fund	2.2%
5	C.I. Sector Short-Term Shares	4.2%
6	Atlas American Money Market Fund	4.6%
7	Altamira Global Diversified Fund	7.2%
8	Cundill Value Fund Series A	7.5%
9	Templeton Global Bond Fund	7.6%
10	Universal International Stock Fund	7.7%

COMMENTARY

ScotiaMcLeod would be pleased to provide you with further detailed information on the above mutual funds, however we cannot provide information on the funds marked #. These are historical performance rankings, and are not indicative of future investment performance. When analyzing particular funds, stress longer term performance.

These rankings are not sales advice and ScotiaMcLeod does not recommend simply selling bottom past performance funds and buying top past performing funds. Purchase or redemption fees may be involved. Please call 863-7777 or 1-800-387-9273 for specific recommendations tailored to your individual needs.

RRSP Eligible FUNDS

TOP TEN

1 Year Total Return

1 VenGrowth Investment Fund Inc. (LSVCC)	17.3%
2 Green Line U.S. RSP Index Fund	17.0%
3 Atlas American RSP Index Fund	16.9%
4 Scotia CanAm Stock Index Fund	16.0%
5 C.I. American RSP Fund	14.3%
6 Global Strategy Diversified Europe Fund	12.6%
7 Talvest Global RRSP Fund	10.9%
8 Talvest Foreign Pay Canadian Bond Fund	10.9%
9 Spectrum United RRSP International Bond	10.9%
10 Green Line Global RSP Bond Fund	10.7%

3 Year Total Return

1 AIC Diversified Canada Fund	29.6%
2 AIC Advantage Fund	28.8%
3 Quebec Growth Fund Inc.	27.8%
4 PH&N Dividend Income Fund	24.9%
5 Scotia CanAm Stock Index Fund	22.4%
6 Global Strategy Diversified Europe Fund	22.4%
7 Royal Dividend Fund	21.3%
8 Scotia Canadian Dividend Fund	20.1%
9 C.I. American RSP Fund	20.0%
10 Scudder Canadian Equity Fund	18.2%

5 Year Total Return

1 AIC Advantage Fund	22.4%
2 Scotia CanAm Stock Index Fund	21.0%
3 PH&N Dividend Income Fund	17.2%
4 Quebec Growth Fund Inc.	15.8%
5 Global Strategy Diversified Europe Fund	15.3%
6 Royal Dividend Fund	15.1%
7 Bissett Canadian Equity Fund	13.7%
8 PH&N Vintage Fund	13.5%
9 Cundill Canadian Security Fund Series A	13.3%
10 Tradex Equity Fund Limited	13.2%

10 Year Total Return

1 AIC Advantage Fund	20.5%
2 GBC Canadian Growth Fund	16.4%
3 Altamira Equity Fund	16.4%
4 Quebec Growth Fund Inc.	15.7%
5 PH&N Vintage Fund	14.8%
6 ABC Fully-Managed Fund	14.4% #
7 PH&N Dividend Income Fund	13.9%
8 Marathon Equity Fund	13.7%
9 Bissett Canadian Equity Fund	13.0%
10 Mawer New Canada Fund	12.8%

BOTTOM TEN

1 Year Total Return

1 Green Line Energy Fund	-51.5%
2 20/20 Canadian Resources Fund Ltd.	-42.8%
3 Spectrum United Canadian Resource Fund	-42.5%
4 Royal Energy Fund	-40.4%
5 BPI Canadian Small Companies Fund	-37.3%
6 Atlas Canadian Emerging Growth Fund	-36.5%
7 Green Line Resource Fund	-35.7%
8 O'Donnell Canadian Emerging Growth Fund	-35.3%
9 Universal Canadian Resource Fund	-33.8%
10 Global Strategy Canadian Small Cap Fund	-33.7%

3 Year Total Return

1 Altamira Precious & Strategic Metal Fund	-27.2%
2 Global Strategy Gold Plus Fund	-26.5%
3 Dynamic Precious Metals Fund	-22.9%
4 Scotia Precious Metals Fund	-21.5%
5 MAXXUM Natural Resource Fund	-21.2%
6 Universal Precious Metals Fund	-20.5%
7 Altamira Resource Fund	-20.2%
8 Royal Precious Metals Fund	-19.2%
9 Green Line Resource Fund	-15.3%
10 BPI Canadian Small Companies Fund	-15.2%

5 Year Total Return

1 Altamira Resource Fund	-11.4%
2 Industrial Equity Fund Limited	-10.2%
3 Dynamic Precious Metals Fund	-9.5%
4 Scotia Precious Metals Fund	-9.2%
5 Global Strategy Gold Plus Fund	-8.3%
6 Green Line Resource Fund	-7.7%
7 20/20 Canadian Resources Fund Ltd.	-5.5%
8 Universal Precious Metals Fund	-5.4%
9 Universal Canadian Resource Fund	-5.0%
10 MAXXUM Natural Resource Fund	-4.1%

10 Year Total Return

1 Industrial Equity Fund Limited	-1.3%
2 Dynamic Precious Metals Fund	2.0%
3 Industrial Growth Fund	2.3%
4 Manulife VistaFund Cap Gains Growth 2	2.8% #
5 20/20 Canadian Resources Fund Ltd.	4.1%
6 Universal Canadian Resource Fund	4.2%
7 Green Line U.S. Money Market Fund	4.7%
8 BPI Canadian Small Companies Fund	4.8%
9 Royal Precious Metals Fund	5.1%
10 C.I. Sector Canadian	5.1%

NOTES TO THE PERFORMANCE TABLES

- ScotiaMcLeod is unable to supply information on funds marked #
- Figures are average rates of return for the periods ending February 26, 1999
- Source data from the Mutual Funds Source Disk, March 9, 1999, which includes over 2300 funds
- Funds with total assets under \$25 million are not included
- Only "totally public" funds are ranked
- RRSP Eligible Funds are at least 80% Canadian content and can also be held outside RRSPs
- Performance figures include reinvested dividends and management fees have been subtracted
- Non RRSP eligible funds can be held inside a ScotiaMcLeod RRSP to a maximum of 20% of book value

Lowering Your Taxes with LSIFs

Many of our clients took advantage of the purchase of Labour Sponsored Investment Funds (LSIFs) and the 30% tax credit they offer. Purchasing the fund was the first step. Claiming your credits is the next step.

Instructions for claiming your 1998 Labour Sponsored Fund Tax Credit

If you purchased a Labour Sponsored fund before March 2, 1999, you will receive two tax forms from the fund company to file with your 1998 income taxes, to save yourself up to \$1,500 in taxes. The federal labour sponsored funds tax credit is discussed on page 41 of the General Income Tax Guide.

Please note you will be required to submit Part 2 or 3 of the Federal tax credit certificate (T5006) as well as Part 1 of the Ontario tax credit certificate (OIEO) to file your tax return.

To claim your 1998 FEDERAL (T5006) labour sponsored venture capital tax credit:

- On line 413 Enter the cost of shares purchased on or before March 1, 1999 on line 413 of your T1 tax return
- On line 414 Enter the amount from line 413 x 15% (max \$750)

To claim your 1998 ONTARIO (OIEO) tax credit you must use the TIC (ONT) TC 1998 Ontario Tax form:

- On line 19 Cost of shares purchased on or before March 1, 1999 x 15% (max \$750)

- On line 22 Enter the amount from line 19 on line 22 of form TIC (ONT) TC of your T1 tax return

For samples of these tax forms, visit our website at:
www.mutualfundreporter.com/lisif/

This information has been compiled from information provided by the labour funds. ScotiaMcLeod does not provide tax or accounting advice. If you have further questions, please consult a tax expert.

Just "Park It"!

They coined the phrase, and you took advantage of it.

For those who were caught in the last minute RRSP contribution rush, your first priority was getting that contribution made. Your second priority is to get your contribution invested.

Now that the rush is over, remember to take advantage of the expertise of the Mutual Fund Reporter Service Centre. We will take the time to review your account thoroughly and ensure your contribution goes toward an investment most appropriate for your situation. In reviewing your account we will consider any changes or general housekeeping that

should be made to existing investments as well. Ultimately we will strive to provide you with the strongest overall investment portfolio.

Remember, the sooner you get your money invested, the greater the impact on compounded returns. *Call us today at (416) 863-7777 or 1-800-387-9273 for a complete review.*

