AGF CASE STUDY

What are you doing after work?®

Rethink Income

There is a better way to secure an annual cash-flow stream

Many investors looking for an annual cash-flow stream traditionally rely on income-generating investments such as bonds and dividend-paying equities. Yet, as interest rates remain at generational lows, some investors are chasing yields by looking to riskier assets.

Exposing themselves to higher risk could ultimately jeopardize both their cash-flow stream and their total return potential.

There is a better solution – **it's called Series T/V.**

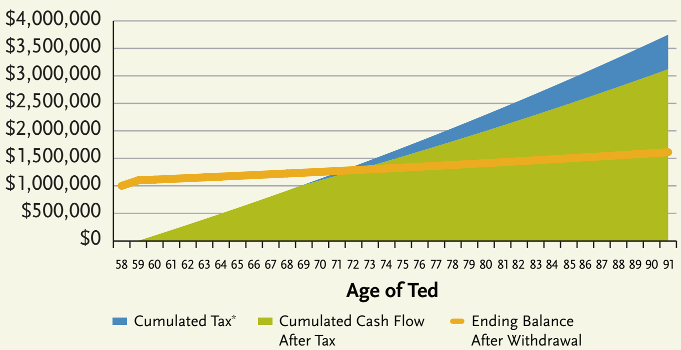
Series T/V seeks to provide cash-flow stream certainty as there is a set annual payout percentage. Investors can purchase an investment solution in any asset class, including a equity or balanced fund and, with the help of a financial advisor, decide between a set annual distribution of 5% (Series V) or 8% (Series T). Both Series T and V remit a Return of Capital (ROC)[1] – i.e., your original after-tax principal – and, by doing so, you can avoid immediate taxation on the shorter-term annual cash flow received.[2]

[1] Until exhausted.
[2] ROC distribution reduces adjusted cost basis (ACB), which may result in a higher gain on disposition in the future.
The targeted annual rate of Series T and V securities is 8% and 5%, respectively. AGF may change this targeted annual rate at anytime.

Two Scenarios – One Solution

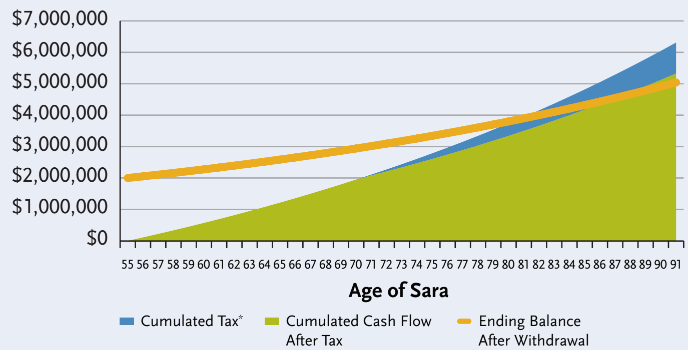
Ted spent a lifetime building up a software company and sold it two years ago at age 58. Upon speaking to his financial advisor and acknowledging he is still looking for growth, the $1,000,000 net proceeds were invested in a globally diversified managed solution with a 10% average rate of return over the past 10 years.

After two years of staying on to help the new owners, Ted has decided to retire at age 60 to travel and pursue his active lifestyle. To help fund this, Ted's advisor has recommended a switch to a Series T version of the same product with an 8% annual payout. The switch to Series T is not a deemed disposition as it is the same fund and the ensuing ROC isn't taxed, which is a plus as Ted is expected to remain in the highest of tax brackets for the foreseeable future.



Sara, age 55, is the primary guardian and caregiver to her 79-year-old widowed mother. Nearing her own retirement, she has decided to sell both her townhouse and mother's home in favour of a shared condo. The combined sales have netted $2,000,000 of investable cash. Both her and her mother have pensions, but would like to enjoy an annual cash-flow stream from the investable cash to supplement their pension incomes, which are largely earmarked for living expenses and health-related necessities. For them, a Series V 5% annual payout will be more than sufficient to enjoy part of the year down south and provide a rainy day fund in the event of unexpected health emergencies.

Their choice is a more conservative mutual fund with an average return of 8%.



In both scenarios, not only is a steady percentage of tax-free ROC being remitted, both investments are still managing to grow.

In some years, the investment return may fall to match the annual withdrawal or fall below. But in each instance, short-term, cash flow remains unaffected and subsequent strong performing years can make up for the lower capital gain periods if the rate of growth is higher than the set annual withdrawal amount.

For more information on how you can arrange to receive a more dependable cash flow rather than chasing yield, please speak to your advisor on the benefits of Series T and V.†

† AGF Series T and V is available on over 20 funds, including Corporate Class. The recent federal budget announced that after September 2016, switching from one Corporate Class Fund to another within the same mutual fund corporation will be considered a disposition for tax purposes, thereby triggering a capital gain (loss) if the investment has a value greater (lesser) than the adjusted cost base. This does not apply to switches between series of the same Corporate Class Fund.

* Note: Cumulated tax is based on the assumption that all distributions are in the form of capital gains, one-half of which is taxable at the rate of 45.65%. For Case 1, there is no tax on ROC from age 60 to 68. For Case 2, there is no tax on ROC from age 56 to 70.

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