Fidelity Tax-Smart Solutions

Voiceover: You've invested wisely over the years and built up your capital for retirement...but that nest egg comes with tax implications.

When it comes to non-registered investments, you need to make a choice as to how you pay taxes on your retirement cash flow. You know you've got four options, but did you know Canadians have a fifth? It's called return of capital and it's a common practice.

You can think of return of capital as the original money that you invested going back into your pocket first. Your gains will stay in your investment account longer, and in some cases...for decades.

The beauty of this is that you don't pay any taxes on return of capital because it's just your original investment. How's that sound?

This is where Fidelity Tax-Smart Solutions can help.

Ultimately, paying taxes on your gains is unavoidable, but Fidelity Tax-Smart Solutions gives you the freedom to choose when you pay.

Not only can you defer some taxation while in retirement, you can also control the nature of your taxable income.

With Fidelity Corporate Class funds, only capital gains, Canadian dividends and return of capital will show up on your tax slip - all of which are taxed at lower rates than interest and foreign income.

Other investments can generate interest and foreign income which may cause you to pay higher taxes.

Furthermore, not all other types of investments allow you to take advantage of return of capital distributions.

From a tax perspective, that's like paying taxes before you actually need to.

Fidelity's Tax-Smart Solutions combine the benefits of Corporate Class and Tax-Smart CashFlow. This can increase the quality of your retirement during your active years and lower your marginal tax rate, saving you taxes.

It can also help reduce or eliminate Old Age Security clawback.

And hey, we can all use a little less clawback in our lives.

Fidelity Tax-Smart Solutions gives you control, so that at any time, you can increase or decrease your monthly cash flow

One final thought.

You could always choose to pay your taxes earlier, but deferring taxes means leaving more money in your investment account, allowing you to take greater advantage of compound growth.

Fidelity offers the smart approach to help you realize your retirement dreams.

Talk to your advisor about Fidelity Tax-Smart Solutions.

Pay less, pay later and keep more.

It's about looking ahead to stay ahead.

Commissions, trailing commissions, management fees, brokerage fees and expenses may be associated with investments in mutual funds, asset allocation services and ETFs. Please read the mutual fund's or ETF's prospectus, which contains detailed investment information, before investing. Mutual funds and ETFs are not guaranteed. Their values change frequently, and investors may experience a gain or a loss. Past performance may not be repeated.

A return of capital reduces an investor's adjusted cost base. Capital gains taxes are deferred until units are sold or until the ACB goes below zero. Investors should not confuse this cash flow distribution with a fund's rate of return or yield. While investors in Fidelity's tax-efficient series (Tax-Smart CashFlow) will be able to defer some personal capital gains, they must still pay tax on capital gains distributions that arise from the sale of individual holdings by fund managers, and on interest and dividend distributions. Tax-Smart CashFlow will also pay a year-end distribution that must be reinvested in additional securities of the applicable fund. The monthly cash-flow distributions on Tax-Smart CashFlow are not guaranteed, will be adjusted from time to time and may include income.

If and when a corporate class structure generates more ordinary income (interest, foreign income and certain derivative income) than expenses, the structure itself (that is, the class funds) can pay income tax which can reduce any tax benefits.

This information is for general knowledge only and should not be interpreted as tax advice or recommendations. Every individual's situation is unique and should be reviewed by his or her own personal legal and tax consultants.