

Look for limited partnerships with room to grow

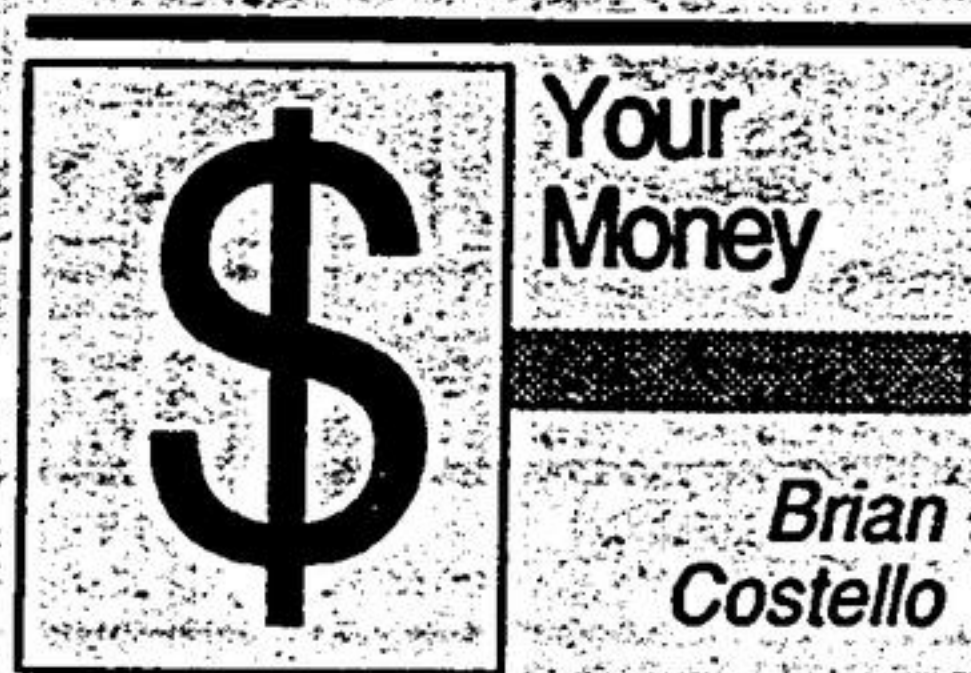
In recent years one of the favorite year-end tax savings practises was to load up on tax shelters or limited partnerships as they are often called.

Some were great, many were absolute disasters, usually because investors raced in at the last minute scrambling to get whatever was leftover.

It's no different this year except that there's more demand because of our higher tax rates. However, the selection of product, if you choose the right one, offers a better chance for profits as the economy is beginning to improve.

How do you pick an LP? Well, the first thing is to never deal directly with the developer or promoter.

It's better to deal with an intermediary like an independent financial planner. They sort through hundreds of these



offerings. If, and it sometimes is a big if, they do proper due diligence they should settle on a couple of good ones each year. Ask to see that they have done substantial due diligence and not just received a corporate finance fee plus commissions.

What sectors of the economy are best? Well, LPs used to zero in on real estate but I think real estate deals especially in Ontario are still suspect.

Mutual fund LPs though have proven to be a fantastic source of tax relief and tax deferral.

They raise millions of dollars to pay commissions to salespeople so mutual fund purchasers don't have to.

In turn, the LP purchasers get substantial tax relief over the next three years while also sharing in the mutual fund companies' earnings.

Movies are making a comeback. I saw a deal this week that required a \$28,800 payment this fall, which could be borrowed by the way.

The purchaser received \$103,585 in tax deductions which meant a tax rebate of almost \$55,000. In addition to the tax savings there were good profits to be made. The average rate of return over the next three years is greater than 44 per cent.

In addition, I've seen two attractive looking computer software offerings. Software

programs are depreciated, according to government rules, at 100 per cent as a class 12 item. As a result, you get large instant tax relief. If the software does well you also have the chance for huge future appreciation.

One of the most attractive offerings I have seen provides protection against a further decline in the value of our dollar plus protection against losses while also positioning investors to share in substantial potential appreciation.

The American real estate markets are on fire. Interest rates are at thirty year lows, their economy is much stronger than ours and unemployment numbers are tumbling south of the border. As a result, Americans are buying real estate before prices rise too rapidly.

A Toronto company, Medstar,

has a project called South Beach Marina Apartments in San Francisco.

The investment is in the United States so investors profit from any depreciation in our dollar.

But, because it's actually a Canadian investment you don't have to worry about American estate taxes. The units are sought after because of the location so it's 97 per cent occupied.

As a result, investors aren't buying a pipe dream.

But, in a stroke of genius the company has also arranged to use some of the proceeds to purchase an American Government Treasury Bond that will grow over the years to ensure that the investors don't lose their money. In other words, even if San Francisco fell off the continent you have little or no risk.

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Harry James, Managing Owner, and Andrew McCully, Branch Manager, each have 14 years of experience in financial services.

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