Qwest
INVESTMENT MANAGEMENT

Maximizing Your CEE Flow-Through Tax Savings Using an RRSP Reinvestment Strategy

Investors who invest in a Canadian Exploration Expense ("CEE") flow-through limited partnership can use a strategy where they contribute their flow-through tax savings to an RRSP to help fund retirement savings.

For example, here is how it can work for an investor...

1) Invest $10,000 in a CEE flow-through limited partnership and receive a 100% tax deduction;
2) Claim $10,000 flow-through tax deduction on tax return and receive $4,500 in tax savings;
3) Contribute the $4,500 in tax savings to an RRSP (note: can also be a spousal RRSP contribution);
4) The following year, claim an RRSP deduction on income tax return;
5) Receive another RRSP tax savings which can be re-invested once again in an RRSP, which triggers another tax savings.... (see chart below).

Based on a $10,000 CEE Flow-Through Investment

	RRSP Contribution	Tax Savings*
Year 1 (flow-through tax savings)	$4,500.00	$2,025.00
Year 2	2,025.00	911.25
Year 3	911.25	410.06
Year 4	410.06	184.53
Year 5	184.53	
Total	$8,030.84	$3,530.84

** Based on a marginal tax rate of 45%*

CONCLUSION

After five years the investor's initial $4,500 of flow-through tax savings has created $8,030.84 of RRSP contributions. Looking at it differently, the investor recovers approximately 80% of their flow-through investment from tax savings!

Repeat the flow-through investment / RRSP contribution scenario ten times (as shown above) and the total RRSP contributions jumps to $80,308.40!