

The benefits of mutual fund corporations

Most mutual funds are set up as trusts, but a number of Canadian mutual fund companies offer families of funds within a corporate structure. Picture a mutual fund corporation as an umbrella over several funds. Each fund is technically a class of shares within the corporation.

Normally, switching from one fund to another outside a registered plan triggers a taxable capital gain or loss. But with the corporate structure, there is no tax triggered by switching, provided you stay in the fund family. Legally, you're just exchanging shares.

You may face capital gains tax on redemptions when you leave the fund family, but that could be years away if you're investing for the long term. However, as with any other mutual

fund, you may get periodic taxable distributions. Switching between funds from the same company but in different families or corporations will also trigger capital gains (or losses).

The corporate structure makes it easier to rebalance or seize new opportunities by switching funds. Each corporation typically offers enough choice to create a diversified portfolio.

Keep in mind that the decision to invest in a mutual fund

corporation should not be based on tax considerations alone. Rather, it should be based on the investment's merits, and its suitability to your objectives and risk tolerance. A professional can help you determine if investing within a mutual fund corporation is right for your circumstances. ■

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