

## **Class Struggle**

**Focus can be challenging on a sunny day, but attention to detail can save tax.**

My dad said he could never sit still in school on a sunny day, but if forced to do so, he would stare out the window and imagine himself escaping the stuffy confines of books and chalkboards. I have copies of his grade school report cards, in which his distractibility is very evident. I am afflicted with the same disease, although I manage it. Somewhat.

As a young wannabe right out of university I stepped (literally) over the sleeping street person at the sidewalk in front of the downtown Vancouver branch. The sleeper didn't stir. Moving over him, for the first time in my life into middle class, I wondered if but for a few choices here and there that might have been me. The bank manager walking with me was less pensive, he having the unpleasant task of replacing the urine-soaked entry mats each and every morning.

Inward, queasy, I strolled up the stairs to my new realm of dress shoes, calculators and clean corporate carpeting, still not sure if I truly belonged. Fidgety, I preferred to sit far away from the filing cabinet, so I had an excuse to walk somewhere several times a day, although sometimes I got there and forgot what I was getting. No problem. Just pick up a file and pretend you own the place.

Lunch was also for walking. Walking, and daydreaming. And there on the streets I saw them everywhere. Not the street people. They were perplexing enough, but I didn't want their job. The bike couriers, now there's a job I thought I could muster some enthusiasm for.

In the days before email the supermen on bikes were everywhere in the big cities, and made a pretty good living getting important intra-city documents from one pillar of corporate Canada to another about as fast as email, and with a heck of a lot more hutzpah. Generally young adult males in superb physical condition, they rode their well-tuned mountain bikes over sidewalks, jumping curbs, red lights, and small buildings with abandon. What a life! Each stressful deadline was over within 10 minutes, the anxiety of each task drying off their backs, while they stuffed wads of cash tips into their pockets. And I saw the way the receptionists gazed at them. Hmmm.

When the bike guy's day was over, no traffic jam, no briefcase filled with lunch crumbs and study materials, no sitting on a skytrain like a jar of pickled suits. Just one last delivery, maybe a sub sandwich and a short ride over the bridge to Kits beach. Lock the bike to a tree and go for a swim.

There's still a few of them around, but nothing like there once was. Email has eroded the shine off the bikes that once crawled through first world cities like so many Tour De Ninja warriors.

Speaking of class struggle, there is some moderately good news from the Feds on the erosion of mutual fund categories. (Don't get your hopes up. I said it was moderately good news, and that's exactly what it is.)

### **Corporate Class funds:**

Did you catch the pun there? You're welcome. Anyway, corporate class mutual funds, also known as "switch funds," are set to have some of their tax advantages stripped as outlined in last March's federal budget, but the reduced advantage will be delayed from the original change date of October 1 all the way to January 1, 2017, an extra 3 months. As comedian Chris Farley used to say: "Well la-de-freaken da!"

In addition to the delayed change, two exceptions exist to the new legislation. Tax-deferred switching in Corporate Class funds will continue to be allowed:

1. If the exchange of shares is the result of the mutual fund corporation undergoing a capital reorganization, as long as all of the shares of the class are exchanged. These events not strategy moves initiated by the individual investor, and thus not taxable.

2. If the shares exchanged are from the same share class but are from a different series (e.g.

T-series, A- series), and thus are not an investment style category change. This opens an itty bitty window to withdraw up to 8% from one idea per year and move it in to a completely different strategy without triggering a capital gain.

To qualify for this exception, the different series of the share class must be recognized as a single investment fund under Canadian securities laws.

Corporate-class funds also help defer capital gains as a result of turnover within their portfolios staying under the umbrella of the corporation, so that is still an advantage. They're also good for seniors, because they can defer dividend income, which can otherwise lead to OAS claw back in cases where the investor own receives annual dividend income from a series of individual shares or non-corporate class mutual funds.

This article is not meant as individualized tax or legal advice. Readers should consult their own professionals before proceeding with a strategy.

It was also written on a sunny day in August while the writer tried desperately not to stare out the window.

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