

## Manulife Investment Management

### **Manulife Investment Management Series-T Mutual funds. How it works**

Series-T is a structure added to existing funds to provide a tax efficient cash flow for investors.

This is achieved by applying the Series-T structure to funds with good track records of stable income. Most of the income comes in the form of tax-free Return of Capital (ROC), while the bulk of the savings continue to grow in a diversified mutual fund.

#### **So... how does it all work?**

Let's say an investor puts \$200,000 in a Series-T fund designed to offer a 6% annual cashflow and a 6% annual return.

The number of units purchased would be 20,000 making the net asset value or, NAV per unit \$10.00.

The Series-T mutual fund will distribute six percent of their investment per year. Which is \$12,000 split into monthly payments of \$1,000.

Assuming taxable distributions of \$1,500 per year and ROC distributions of \$10,500 per year, the adjusted cost base or ACB decreases by the annual ROC distribution. However, if the fund were to generate a 6% return annually the **market value** of their initial investment would remain as \$200,000.

So, given the scenario an investor could expect an approximate after-tax income of \$11,400 per year for nineteen years, assuming a 40% marginal tax rate – Distributed as steady monthly income – Until the ACB equals zero. To learn what happens when the adjusted cost base equals zero, watch the third video in this series.

Manulife Investment Management Series-T funds can provide a steady stream of monthly tax efficient income. Speak to your advisor to learn more.

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