# EP134: Philanthropy & Tax Planning with Flow-Through Shares

**Keith Matthews:** Welcome to the Empowered Investor Podcast, brought to you by the advisory team at Tulett, Matthews and Associates. Have you ever felt overwhelmed by the number of voices telling you how to plan or invest for your future? We're here to help you cut through the noise, bringing clarity to your investment decisions and helping you build lasting financial peace of mind. Learn more and subscribe today at tma-invest.com.

**Lawrence:** Welcome to the Empowered Investor Podcast. My name is Lawrence Greenberg, and this is part 3 of a 3-part series on philanthropic giving. In the first episode, Jackson Matthews and I spoke about how giving affects your taxes and types of strategies people could use for charitable giving in Canada. In the second episode, we had a very special guest, Linda Argalje, come from the JCF to talk about donor-advised funds and how they work. And in this episode, we will be discussing flow-through shares. So this episode is done by Ruben Antoine, who's an advisor here at the firm and the host of our French podcast, L'Investisseur Transformé. And he will be discussing flow-through shares with Albert Labelle from PearTree. They will be covering points on Albert's background and what PearTree does. What are flow-through shares and how do they work? What role flow-through shares may have in someone's financial plan and given their charitable giving objectives, the mechanics of how flow-through shares work on your taxes, and profiles of people who could benefit from using flow-through shares as a part of their financial plan. Enjoy the show and happy listening.

**Ruben:** Hi, Albert. Welcome to the podcast.

**Albert:** Thank you, Ruben. Good afternoon. Pleased to be with you and thanks for inviting me.

**Ruben:** I'm here. We're happy to have you on the podcast to discuss a very interesting subject. We are going to talk about flow-through shares, but before we dive in, we would like to know a bit about yourself, Albert, and also your background and the company you work for, PearTree. So can you tell us a bit about yourself?

**Albert:** Certainly, thank you. As you said, my name is Albert Labelle. I'm one of the 5 partners at PearTree Canada, which is located in Toronto. However, I personally live in Ottawa. I've been with the firm for approximately 17 years of basically 20. My background is basically financial services. I work for and with companies such as American Express, Canada Trust, Assante Financial Services, just to name a few. I joined PearTree about 17 years ago. Our company is a very niche company that specializes in flow-through shares, which we're going to talk about today, specifically covering 2 topics: the philanthropic aspect of flow-through shares that we can bring into someone's practice, individuals like yourself and/or to your clients who are philanthropic in nature, as well as we can bring the tax planning side of flow-through shares that helps either individuals and/or their corp— privately owned corporations to be tax efficient in their approach.

**Ruben:** Yeah, and you did say PearTree, it's a very niche company, at least what they're doing is pretty niche. And some people have heard about flow-through shares, some they find it too technical sometimes, some people have never heard about flow-through shares. So can you tell us, like generally speaking, what are flow-through shares?

**Albert:** For sure. So flow-through shares are basically a regular share. It is a program or a montage or a structure that was put in place by the federal and the provincial governments in the '70s, and the idea or the gist behind it was to attract private investment into the natural resources sector of Canada. Basically, it's a way for these companies to autofinance their exploration and development project while they are looking for the minerals and/or at a certain point, the oil and gas that was subject to flow-through shares up to March 2023. In a nutshell, what it is— the term flow-through share represents well what the structure is all about. So therefore, these companies, natural resources companies, while they are exploring for the minerals, whether it's precious metals, whether it's critical minerals that we hear day in and day out these days, between the day they have identified a site or a location and the day they start producing, there are many, many years between these 2 dates. So in the '70s, we, as in Canada, have created this environment where companies can issue shares and you become a shareholder of this particular ABC Mining Company. But at the end of the year, the company will be renouncing or flowing through their expenses to you as if it was you who had done the drilling, who had paid the employees, and driven the truck or paid the expenses attached to either exploration or development. This program is in place for these companies. They have to qualify first and foremost in order to be able to issue these shares, again, to repeat myself, to autofinance their projects until such date they start producing and be profitable. The minute the companies are producing and profitable, they do not qualify any longer for the flow-through share regime or environment. To bring it down to another level, how and why would you participate in a flow-through share transaction? Well, it is, and we're going to be diving into the topic a little later, but just at 50,000-foot level, you purchase a flow-through share, you become a shareholder just like you had purchased a Google share or Royal Bank share, but at the end of the year, let's say you have acquired for $100,000 of these shares, the company will be again renouncing or flowing through their expenses in your favor. Therefore, you have now $100,000 expenses that you can take against your own personal income and/or the income of your holding company or your operating company, depending if you are doing this transaction personally and/or corporately. Furthermore, if you are doing it personally, there is an added benefit to it, and it is the investment tax credit that is added to the fact that you have participated or acquired or subscribed to flow-through shares.

**Ruben:** Sometimes people ask related to that, why did the government create a flow-through share program to encourage, you know, support the mining industry and people going in that business and why those companies, mining companies, why they don't get their financing through traditional sources like banks or venture capital. And I want to say, like, I was doing a bit of research. Something I didn't know, Albert, is like when you take all the mining companies in the world, approximately 60 to 65% of the mining companies in the world are Canadian-based. So it's a very important sector for our economy. And because of that funding gap, because of that time between discovery to be able to start making revenue in those companies. There was a study made in 2023 by the S&P Global Market Intelligence, and they look at all the new mines in the world. There were approximately 127 new mines in 23 countries between 2002 and 2023. And they look at what is the average time it took from mineral discovery to commercial production. And it was on average 16 years. It took 16 years for them to start making money. And sometimes when it's some critical minerals, it would go all the way to close to 29 years. So it's really hard for a company like that to go to see the bank and say, you need to finance me for my studies, my geological studies, my drilling, but I may make money in 15 to 20 years. So that's why it's very important to have, like, I think that's what the government wants to encourage as well, to find other ways, investors to support this economy, this sector, so that we can still have that very important mining sectors in our economy, right?

**Albert:** That is absolutely the answer. Perhaps to complement your answer, at the same time, let's remember that in creating this environment, we are keeping Canadians at work. We are keeping Canadians at work in northern regions where there's not a lot of jobs. We are also encouraging the different sectors. I know right now it is limited to natural resources, but nothing is telling us that in the future it won't be expanded to perhaps other industries, but for the moment it is only natural resources. And it excludes, as I said earlier, since March 2023, it excludes oil and gas, which is a very, very important sector of our economy. And perhaps people will say, why exclude oil and gas? Is it because they already make a lot of money? It isn't. The answer is it excludes oil and gas because of all of the new technology around fracking, around finding the resources in the ground, that it's not exploration anymore. It's not really development. They already know where the oil is and the gas is in the ground.

**Ruben:** And it's more cost-effective to get the oil compared to before as well with fracking.

**Albert:** It is absolutely more effective. So therefore, in 2023, in the last Freeland budget, she actually decided, or the Liberal government decided to, as of a year later, exclude oil and gas. But at the same time, recognizing that the industry is a multibillion-dollar industry and employs thousands and thousands of people directly and indirectly, what they did back in '22-'23, they expanded the natural resources sector and they said, the government said, for precious metal or other minerals, precious and other minerals, the investment tax credit— and we will be talking about this later on, but just for right now, the investment tax credit associated to precious metal is 15%, and they launched a 30% investment tax credit for investors for a list of about 15 critical minerals to launch the, call it, the battery manufacturing industry in the country.

**Ruben:** Yeah, because something that we should not forget is that minerals, yes, are important for the obvious sectors, right? We use minerals, I mean metals, for example, in housing, in defense, but very important for telecommunication technology, electric vehicles, like you're mentioning, battery, renewable energy. So sometimes people think of mining, they're thinking about pollution. But like renewable energy, electric vehicles, they need metals as well. So that's why this sector is for the world, but for Canada being a major player as well.

**Albert:** You're absolutely right. And it is not only for metals in general, but if you think of, look at us talking on a podcast with our computers, the computers are basically the fruit of everything that is found in the ground. Yeah. Nothing on our computer, nothing on our Apple Watch, nothing on our Apple or any other device comes from the trees. Everything comes from the ground.

**Ruben:** If you don't grow it, you need to mine it. That's what they say.

**Albert:** Exactly.

**Ruben:** We are talking a lot about Canada, but there are other countries that are big, if I would say, mining giants as well in the world economy. When we think about Australia, we're often being compared with Australia. But so my question for you, Albert, is, is there any— in what you know about— I know we talk about Canada, but like your general understanding of the landscape, any other country that has something similar, some type of tax incentive or program regarding their natural resources or mining sector?

**Albert:** I believe in the US they have something relatively similar, but it's not retail, it's more institutional. So for Canada, it's really retail. I mean, it is you and I and all other taxpayers who can benefit from the flow-through share structure or regime. Again, I like repeating that a deduction that I'll take because I'm investing in ABC Mining in Timmins or in Val-d'Or or elsewhere in the country is a salary inclusion for a worker in these remote areas, right?

**Lawrence:** Yes.

**Albert:** So it's the circularity of money. I know that in Australia they have a similar program. I don't think it's as, again, to use the word again, robust or solid as the one we have in Canada. And I know the Australians do really, really love our program because we have a lot of Australian-owned companies in Canada that use our program.

**Ruben:** Oh, okay, okay.

**Albert:** Yeah, yeah, they've been very, very strong supporters. So we do deal with Australian-owned companies, but the exploration needs to be on Canadian soil.

**Ruben:** Okay, yeah, fair enough, because it's Canadian investors as well.

**Albert:** Yeah, correct.

**Ruben:** Correct. Makes sense. Makes sense. And when we take all, generally speaking, on average, the companies in Canada that have their business in natural resources, mining, etc., they need financing from different sources. What is the proportion of flow-through shares in the overall financing of those companies? Is it a big share or is it a small share?

**Albert:** Well, if you look at the stats and if you look at PDAC— PDAC is the group of prospectors and developers in the country— more than 80% of these projects are supported by the flow-through environment. Wow.

**Ruben:** Okay.

**Albert:** And again, it's a multi-billion dollar environment. Charity flow-through or philanthropic flow-through, our little PearTree business represents a very sizable portion of that.

**Ruben:** Wow. Okay. So we can see how key is the flow-through share program for these companies because it's basically most of their financing.

**Albert:** Yeah, it is. Absolutely. Okay.

**Ruben:** It was very important for me, Albert, to discuss the landscape first. I know the goal of this episode as well is for listeners to see how the future can impact their personal philanthropic vision or tax situation. But I wanted to kind of lay the foundation first. Now, if we go at the individual level, because now we understand what is a flow-through share and why they exist, but what is the role now of flow-through shares in someone's financial plan or fiscal plan? Someone who is either trying to reduce their taxes or making a charitable donation. There's those 2 aspects. They're kind of related. But let's talk about the tax side first. Walk me through generally, like, the tax percentages a bit more in detail.

**Albert:** So an individual can in fact participate in a flow-through share transaction and basically reduce their tax burden to what we call at the personal level the alternate minimum tax threshold or level. What is alternate minimum tax? To put it very simply, if you are a Canadian taxpayer earning, let's use a round figure of $1 million a year, it applies for $500,000, but $1 million is probably easier to set the stage. If you live in Quebec, if you have no deduction whatsoever and you pay 100% deduction at source, your tax bill at the end of the year is in the neighborhood of $530,000. So your take-home pay is about the difference, obviously, $470,000.

**Ruben:** Yeah, so let's say round number $500,000 goes to both governments, federal and provincial.

**Albert:** Let's say that. If you take advantage of some of these programs— some of these programs are called RRSPs, it reduces your— it reduces your tax burden. You may have some medical expenses, you may have some charitable donations, you may have, et cetera, in the mix. You can participate in flow-through shares transactions. As I said earlier, these expenses are 100% deductible against one's personal income. Now, how do we figure out what is the optimal or maximum amount for this million-dollar person? Combined federal-provincial alternate minimum tax threshold or floor is about 37%. So it's easy to do the math. If you're a million-dollar tax income earner, 37% basically says you have to pay a minimum of $370,000. You did nothing, you've paid $530,000. You did some of these transactions, you can reduce your tax burden to this floor that is called alternate minimum tax of $370,000.

**Ruben:** So this is like— and tell me if I'm wrong— like going from a marginal tax rate of 53% to a marginal tax rate of 37%.

**Albert:** That is correct. So let's use an example. You earn $500,000 a year, okay? And I'm using $500,000 because that gives you enough room. It's about the $250,000 level where you start paying maximum tax rate. I know it's a little lower, but let's say it's $250,000.

**Ruben:** Yeah.

**Albert:** So it means that you have $250,000 on which you've paid 53-plus percent. So at $500,000, you can probably take $100,000 of flow-through share against it. So that will bring your taxable income to $400,000 because it's 100% deductible in the year of subscription. And if you are participating in a critical mineral transaction, you will get a $30,000 investment tax credit. So it's a tax credit, so less taxes to pay against that investment. And $500,000, $100,000, these numbers would technically work unless there's something we're not aware of without triggering alternative minimum tax in 2026. That gives you enough wiggle room, let's call it this way, to reduce your taxes to about 37%.

**Ruben:** Yes. Okay. So we can see how the tax advantages can be significant. But based on that, let me ask you a question because we are talking about income level in terms of profile. Who would you say the flow-through shares are for? Is this just an income level? Is there a different profile? Like who should use flow-through shares in terms of personal profile?

**Albert:** On the tax planning or tax efficiency side, someone who is at 350 and above personally becomes a prospective client, definitely. Okay, because in this example, this individual has paid $100,000 at 53+%. I see. So we can work with that profile. And by the way, it is the same, call it start point or jumping point for on the philanthropic side, 350 and above becomes a good prospective client. And yes, there are some efficiencies that can be achieved with this individual.

**Ruben:** And if we use $350,000 as a benchmark, $350,000 of income, now there's different types of income, right? Someone can have dividend income, interest, or employment income, which are taxed the same way, and capital gain. But those 3 types of income are taxed differently. So is it $350,000? What type of income would you say it's the ideal for flow-through shares?

**Albert:** So definitely all the numbers we talked about to this point are T4-type income or interest income or the high rental income, RSUs, everything that is taxed at the highest marginal tax rate.

**Ruben:** Yes.

**Albert:** If the individual has a combo, $500,000, $350,000 of regular income and $150,000 of eligible or non-eligible dividends, it changes the calculations quite significantly because dividends, eligible, non-eligible, are taxed at different levels. Finally, capital gains, as much as they are tax efficient, being that it's half of half that is taxed, to use the expression, it is definitely a big negative for alternate minimum tax or for potential subscribers because part of the alternate minimum tax calculation, capital gains do play or go against alternate minimum tax in a significant way. To give you an example, again, high level, a Canadian taxpayer earning $1 million of income, straight-up salary, bonus, T4, and has generated $1 million of capital gains, chances are we won't be able to do anything because there's no alternate minimum tax space or room.

**Ruben:** I see. Okay, okay. So the type of income is very important, especially if we are earning capital gains, which is not the ideal type of income for flow-through shares.

**Albert:** Yeah.

**Ruben:** So we spoke a lot about alternative minimum taxes, and again, I know it's a bit technical. Everyone— advisors, accountants— they are here to guide you around that. But Albert, if we remove the consideration of hitting alternative minimum taxes, should someone who qualifies based on their income type and level do flow-through shares every year? Would you say they should do it year after year, or should they do it once and then that's it?

**Albert:** Well, obviously the answer is it depends. I'm sorry to say that.

**Ruben:** That's the typical— that's what the accountant will say as well.

**Albert:** Yeah. And politicians for that matter.

**Ruben:** Exactly.

**Albert:** Yeah. If someone earns $1 million a year every single year and wants to reduce their tax burden and be efficient in the approach, definitely once you've expired the RRSP route, Once you have expired any other type of deduction and you're still taxable at, say, $900,000, you can definitely use the vehicle. I think we have to a certain extent. I believe we're talking about this a little later, but I think we've de-risked this transaction significantly since its inception. And the reason I say that it was not done in a very structured way before it was perhaps in poor— like, call it, for lack of a better term, a mutual fund.

**Ruben:** I want to go there with you, but I will let you continue because we spoke a lot about what is a flow-through share, the tax side of things. We are going towards philanthropy, which is the most important part as well that we want to touch on. But we have to say, it's still, you mentioned that Albert, it's a share, it's an investment. So we have seen in the past, and I remember when I speak about flow-through shares, sometimes the first reaction is that like, oh, this is like very bad because we all knew someone in the '90s that got burned because yes, they got all the tax incentive, but their investment went to zero. And so they end up having a net loss anyway. So when you say de-risk, can you tell us a bit more about that? What do you mean by that?

**Albert:** Well, I have to bring you to the philanthropic side for 2 seconds because at the beginning, our firm was built on the principle of buying and donating shares to the nonprofit sector back in 2007. 6th. And part of our work and part of our advanced tax ruling submission was to present to CRA and Quebec, was to present a fact pattern where we would buy flow-through shares, we would donate and sell them immediately to a backend buyer. In doing so, we knew in advance, and we knew in advance because it's true to the date, how much we're going to pay these shares. And we buy the shares at a premium, you know, the joke around PearTree is the best at buying high and selling low. But the reason we do this is we pay a premium to market for very good reasons that we're not necessarily going to cover today, but it's part of the fact pattern. And we sell at a discount. And why do we sell at a discount is when you sell, when we sell these shares to an institutional buyer or what we call a backend buyer, we sell them at a discount because these shares are now— just became common shares. They are not flow-through shares anymore because you and I and all other subscribers have taken the tax advantages of them. So we sell them for $0.80 on the dollar. We bought them at $1.50, as an example. So the market risk has been eliminated in our transaction and supported by our ruling. So the ones participating in our transaction without the philanthropic side, what we call a buy-sell as an example. So you buy and you sell at the same time as all other philanthropic donors. You're part of this transaction. So you benefit from the purchase price at $1.50 or $1.60. And you know already that your exit is at $0.80. And based on all of this, your return on capital could be 35%, 40%, 50%. And, and I'm specific in saying your return on capital.

**Ruben:** Yes.

**Albert:** And not your return on investment, because you're not investing in anything.

**Ruben:** Yeah.

**Albert:** You are acquiring flow-through shares that will have the impact of reducing your income, which will produce a significant refund because you pay 53 cents on the dollar. So it's a return on your capital and not like a cash flow.

**Ruben:** It's a mathematical calculation to see cash flow out, cash flow in, what is the return on that.

**Albert:** Yeah, exactly. That is the nuance, I think, between what was happening in the '80s and the '90s and now. Mind you, there are some companies out there who are in the flow-through share space, and it's like a mutual fund where there's a lot of transactions in a pool where you know what your tax deductions will be, but you don't know what the exit is.

**Ruben:** On the investment side?

**Albert:** On the investment side. Whereas for us, you know exactly what's the in, what's the out, and what's the outcome. You know that in advance.

**Ruben:** And this is very important because before entering the deal, you can see if it makes sense for you right away. There is no investment risk, or at least investment risk has been limited. There's a floor, you know how much you are losing because it's already pre-sold to a liquidity provider. And then as long as your tax benefit and your philanthropic tax credit come back higher than that, it makes sense financially to do it on top of achieving your philanthropic vision.

**Albert:** Exactly.

**Ruben:** On the philanthropic side, we already touched a bit of that, but can you dive a bit more into how the flow-through share can allow someone to make larger donations compared to, for example, if they make, you know, the typical cash donation? Or we like to say to people as well, they can make in-kind donations with their investment, which is better than cash. But now we are going to another level with Flow2Share. So how can Flow2Share help people be more generous or achieve their philanthropic plan in a more efficient way?

**Albert:** Yeah, for sure. Thank you. At the beginning of our conversation, I told you that basically our company was founded on that principle. So somewhere in 2006, when the law changed and allowed Canadian taxpayers to use appreciated securities, as you just mentioned, to make charitable donations. Our founder basically had the idea of using flow-through shares, which we just talked about tax advantages. The tax advantages are the Canadian exploration expenses and the investment tax credit. You don't need PearTree to qualify for that. You can buy flow-through shares and you'll get expenses and you'll get the investment tax credit. So we packaged and submitted a fact pattern to— I know I've mentioned that earlier, but through a tax ruling submission, basically suggesting that we would like to package the purchase of flow-through shares in one single transaction, making a charitable donation with a liquidity element attached to it, a backend buyer. So that was done in 2007-8. The first rulings were received, and that's how our business started. So really, at 50,000 feet, that's what we do. We went to market. We have a great team on the PearTree Securities side that source these transactions. We go and knock on doors to issuers. If they are to raise money, we would like to be part of that. Most of the time, we're the 100% of the raise. Earlier this year, we did a $90 million transaction in February in Quebec. So we raised $90 million, we turned around and we let our existing and prospective clients as well as our centers of influence and advisors like you and your group know that we had a live transaction. You would be buying the flow-through shares, you will be donating the flow-through shares to either your family foundation, either your charity of choice. It could be United Way, it could be the local hospital, the university, or whomever. Or if you wanted to support more than one, we would suggest opening an account with a donor advice fund. It's basically a warehouse of philanthropic dollars. It's a bank account of philanthropic dollars, where you would be, pardon the expression, processing your donation through this entity.

**Ruben:** We've done a whole episode on donor advised funds, and I will invite in both French and English, we will put the link for those episodes in the show notes so that the listeners can know a bit more about those structures.

**Albert:** Yeah. And therefore your dollars are now sitting ready to be deployed, whether it's $1,000, whether it's $5,000, whether it's $500, whether it's $25,000. So if in fact your philanthropic agenda is to give approximately $100,000 a year or $500,000 a year or $50,000 a year, you can basically park the

$50,000 in a donor advised fund and upon request, demand that the money is deployed to the different entities that you want to support. Why would you go through what seems to be complicated, not very complicated because we take care of everything.

**Ruben:** Yeah.

**Albert:** Well, at the end of the day, if you were to make a $50,000 donation and just write a check, your cost of giving $50,000 is approximately $25,000 at 50 cents in the dollar. If you were to make a charitable donation using flow-through shares, assuming you have enough taxable income at the highest level to take the deduction and the whole nine yards. So the perfect storm, let's call it this way. At the end of the day, you've made a $50,000 donation for as little as $1,000 or 2%.

**Ruben:** Okay, okay, hold on, hold on, hold on. Let me just say this in other words so that everyone can see how powerful it is. So if we make a $50,000 donation and we know that when we make a donation we get a tax credit. That's what, Albert, you mean by the cost of your donation. So you give, you get a tax credit. So how much did your donation cost you after taking into account what you got back from the tax credit? So you give $50,000, you get $25,000 back as tax credit. So your cost for that donation of $50,000 was $25,000. You're poorer, you're out of pocket $25,000.

**Albert:** That is correct.

**Ruben:** You're saying that with the flow-through shares, you said you make the same $50,000 donation. So the cause you're supporting, the organization, the nonprofit, receive the same support you want them to receive. But to give that $50,000 through the Flow2Share structure or transaction, it will cost you $1,000. So you basically got $49,000 back of tax benefit credit and deduction.

**Albert:** So you're getting a tax receipt because you've made a charitable donation. You are getting the Canadian exploration expenses coming from your Flow2Share subscription. You're getting your investment tax credit that is coming from your flow-through share subscription. And the combination of all these elements against your own income makes it such that you are absolutely correct. The mission, the school, the hospital will be receiving the same $50,000 net, net, net, and it will cost you only $1,000.

**Ruben:** So we spoke earlier, Albert, because I think it's wonderful and I think some people listening to us may be wondering, how come I didn't know about that before? How come someone didn't tell me about that? And that's why we are doing the podcast. We want to share that concept to everyone. But we spoke earlier about the tax side, the tax advantage, and now we are adding the donation side, how you can supercharge your philanthropic plan. You know, some of the listeners might be wondering, does it sound like some type of aggressive tax planning or a loophole that the government will close eventually, especially when people are thinking about all the budget deficits that we are hearing in the news. What would you say about that?

**Albert:** Well, first of all, let me take PearTree out of the discussion for 2 seconds. We said earlier that more than 80% of the natural resources sector is supported. I think the number is greater anyway, but it doesn't matter. A very, very large portion of the natural resources sector is supported by flow-through shares, first of all. Yeah. Secondly, back in 2023, it's not that the government is not aware of this. Back in 2023, we said, oh, oil and gas, not no more, because you're not doing exploration. You have the technology and you know where the oil or the gas is in the ground, so you don't qualify for flow-through shares anymore. The government is very aware of what's going on. And the same year they said, we want to stimulate critical minerals, uranium, lithium, and all the others that go into battery manufacturing, right? So we're going to increase the credit. We're going to double the investment tax credit from 15% to 30%. Let's not forget, we've mentioned earlier that this environment also keeps people employed in the north, in remote areas, including First Nations, Val-d'Or.

**Ruben:** Yeah, you're right. Sometimes that's the only sector. The mine might be the only employer in some community, right?

**Albert:** So direct, and imagine all the indirect ripple effects of that. So because of all these reasons, I do not see this as going away. On the contrary, we now at PearTree, we feel that we are in a supercycle. We have to be self-sustained, our natural resources. Saskatchewan has the biggest uranium deposit in the world, right? This is in our country, right? So I don't think it's going away.

**Ruben:** Then a loophole, at the end of the day, it's when there is some interpretation, gray area of something that people are trying to do, and that was not the intention of the government. Based on what you just explained, it's really intentional what the government wants us to do with flow-through shares. It's not a loophole, it's very clear.

**Albert:** So that's important to say that we have been lucky and successful and creative in packaging it for you.

**Ruben:** And make it easy for us to invest as well.

**Albert:** Yeah, yeah, yeah. So we take it from the beginning to the end. Again, you don't need PearTree to buy flow-through shares. You don't need PearTree to make a charitable donation if that's what you want to do. Do. But if you want to do it in a very tax-efficient way and you don't want to worry about all these 3, 4, 5 elements working, we have a liquidity provider at the end of the transaction. We've done the work, the due diligence process at the beginning. So we have done all of this for you. And like I say, we're the bookends of this transaction and you're the middle part of this transaction. Right?

**Ruben:** Yeah. One last question, Albert, before we end this wonderful conversation. We spoke a lot about flow-through shares for individuals, both on the tax side and the philanthropic side, and the two together. But I have some clients— we at the firm, we have many clients. They are entrepreneurs, they have a corporation, and most of their wealth is in a company or holding company. And actually, maybe we're talking about that limit of income, like $350,000. 50, sometimes they don't pay themselves as much income. Is a flow-through share something that could be used, where it would make sense to be used with a corporation?

**Albert:** It is absolutely doable as long as the corporations are, as we say, CCPCs. So they privately own Canadian corporations. So it's not for publicly traded companies, but if you have, you know, the family holding company or you have an operating company, you're in rental real estate or whatever industry you're in. Definitely, as you said, the beauty of using this approach, whether it is or not for philanthropic reasons, first of all, we are not limited by alternate minimum tax in a corporation, in the corporation. So if the corporation earns, let's say it's a holding company with rental and interest income, or worth $500,000 of income a year taxable at 50%, you can use all of it if you want through your corporation. Not only can you use all of it, but you can also use more of it, create a loss, and go back up to 3 years if you were successful in selling an asset or selling a building or selling a business through a holding company a year or 2 ago, we can help you make these calculations and say, well, normally your holding company earns about $500,000 a year. However, last year you sold a building and you made $12 million of profit, which half was taxable. It's a capital gain. So how can we subscribe in 2026 enough to not only eliminate the $500,000 but go after 2025 as an example, or 2024 for that matter. And all these calculations and analysis we can do— this is part of the service we offer. It is not at a cost, obviously. This is part of what we do. It's really interesting to do these transactions through a holding company. The benefits are a little different, being you are subscribing to a flow-through share and you are entitled to 100% of the Canadian exploration expenses just like you are on the personal side. Again, you're not limited by any amounts because there's no AMT or minimum tax. You are not entitled to the investment tax credit. This is for individuals only.

**Ruben:** I see.

**Albert:** However, in doing these transactions, you, through your holding or operating company, would be creating a very significant or large capital gain depending on the size of the transaction, of which— and you'll say, why is this interesting? It's interesting because half of it is taxable, but the other half goes into your capital dividend account.

**Ruben:** Yes.

**Albert:** And for the ones who are not familiar, the CDA account is you're creating tax-free dollars within your holding company or your operating company, payable tax-free to you, the shareholder, anytime post-closing. So from a tax efficiency perspective, you can look at this. I'm reducing my tax burden and perhaps making a philanthropic donation or not. And at the same time, I am entitled to the Canadian exploration expenses. I can or not have a charitable tax receipt depending if I've donated. However, the creation of the capital dividend account dollars is still true for either or transaction.

**Ruben:** Yeah.

**Albert:** And this is a very significant benefit to shareholders, to your clients. And the reason is, we often use our holding companies as basically delaying the inevitable of paying 50, 55 cents on the dollar. We pay ourselves dividends, we try to delay reality. But at the end of the day, we will want to take money out of our holding company, and no matter how you cut it and slice it, at some point you will be paying 53 cents on the dollar. So this allows you to create these tax-free dollars that you can pay yourself immediately post-transaction.

**Ruben:** We've learned a lot thanks to you, Albert. Flow-through shares for individual, for corporation, tax benefit, philanthropic donation. What would you say is a couple of either summary or key takeaways for the listeners, Albert?

**Albert:** Well, I hope they'll remember that they don't have to lose sleep over it. We can do all the work for them. They can just bring us a fact pattern and we will sit down with them. We will sit down with you and your firm. You know, we work together and we look at the fact pattern. If it works, it works, and it's their decision at the end of the day. So we will do the work for them. Secondly, when we look at the philanthropic side, often we never thought that we could perhaps be tax efficient in our philanthropy. And the reflex of all of our clients seeing this for the first time is not one that, oh, finally, I'm going to save money on my charitable donation. On the contrary, they'll say for the same after-tax dollar, I can do a lot more.

**Ruben:** Exactly.

**Albert:** That's really the amplification of what we do. So that would be the second takeaway. The third takeaway obviously is around tax efficiency. You are taxed at the highest rate, you want to minimize your tax burden, we can help you create some significant return on your capital. Again, debits and credits, there's no black magic in what we do. It's really Accounting 101, you know, enter this number in, you know, box 122B, enter the other number in the capital gain, and enter the other number in box 82C, and the result will happen. Again, we do the work, we'll do the analysis, we'll crunch the numbers with you and with Ruben and your team. We're there to support you.

**Ruben:** Well said, and thanks a lot, Albert, for being reassuring, because I can imagine through our conversation, some of them may have been scratching their heads and wondering what they are talking about. So I think it's very important to conclude by saying that, you know, it sounds complex, but it's more simple than you think, and you will be guided by professionals if it makes sense for you to save tax and support even more the organization you want to support.

**Albert:** Mm-hmm.

**Ruben:** Thanks a lot, Albert, for your time and your generosity in sharing all that information on flow-through shares.

**Albert:** Thank you, Ruben. Always a pleasure. Always a pleasure to work with you and your team.

**Ruben:** Same, same. To all the listeners, thanks a lot for your time and your listening, and we'll see you in the next episode of The Empowered Investor.

**Keith Matthews:** Thanks for listening to The Empowered Investor podcast, brought to you by Tulett, Matthews and Associates. If you've enjoyed today's episode, be sure to follow or subscribe. And share it with somebody who wants to invest with clarity and confidence. To learn more about how we help investors build lasting financial peace of mind, visit us at tma-invest.com. Until next time, stay informed, stay empowered, and stay on track to your financial goals. Investment and investing strategies should be evaluated based on your own objectives. Listeners of this podcast should use your best judgment and consult a financial expert prior to making any investment decisions based on the information found in this podcast.