

Business Income Trust Dangers

Although some good business income funds and trusts exist, many carry significant risks that you will lose much or all of your investment. Business income trusts are not the same as the oil and gas or real estate trusts. A trust that is not involved with oil, gas, real estate or public utility (e.g., power, water heaters, etc.) might be very high risk.

The current campaign of writing to the federal finance minister can easily backfire on seniors/retirees. The letter-writing idea has largely been organized by those who make money by selling the fund or trust units to you. They obviously don't want to lose their source of income. However, you could lose much money if more bad business trusts are sold to you.

The time to act is now. We have already seen one large drop in value from the federal government's refusal to give advance tax clearance. In itself the federal government's action was minor. Sophisticated investors saw the government's comment as the end of the gravy train. So, these investors sold to whom? Hopefully not you.

The federal government's action, eventually, became part of a \$23 billion drop in trust values. But, the lost taxes to the government per year were only \$300 million. \$23 billion divided by \$300 million represents over 70 years of taxes, ignoring interest. Thus, those who claim that taxes are the main cause of the price drop in value are clearly badly mistaken.

Do you realize:

1. That for many business trusts, the money that you receive each month is often well in excess of the profits made by the company? Thus, a type of pyramid scheme is occurring. The first few investors will do well in the first few years. But, a financial collapse will occur from having paid out more cash than has been earned.
2. Taxes saved by the company are often passed over to you to have to pay?

3. A yield on a guaranteed investment certificate cannot be compared to a business income fund yield? The reason is that payments by trusts include giving you back much more than the company earned (i.e., much like extending your credit card to its limit, well beyond wages).

Don't be fooled by fake yields. If you have doubts sell quickly, before the next price drop.

In summary, independent investment advice must be sought. Your broker is not independent because she/he is paid for selling your income funds.