

November 19, 2006

Oops! Sorry, my mistake

By [LINDA LEATHERDALE](#)

We all make mistakes, but this was a bonehead mistake, and I apologize.

In a column on income trusts last week, I referred to a new study by Canadian Institute of Chartered Accountants (CICA), which is calling for better disclosure on these investments that have been widely popular with seniors.

Only problem was, I quoted from another study on income trusts, written by an investor advocate.

Both this advocate and Canada's chartered accountants are saying we need to protect investors by standardizing methods used to determine cash distributions, and making them more transparent.

Bottomline is Canadians have parked a lot of money in trusts, with their market value ballooning to \$170 billion. Last year alone, \$11 billion in cash distributions were dished out.

But some funds have run into financial trouble, and cash distributions were cut, or cancelled altogether.

And now, with Ottawa's clampdown on trusts' special tax treatment, there's been more fallout.

Fact is, there is no standard practice governing how management decides cash distributions.

And better disclosure, said the CICA report, would reduce risk to millions of income trust investors, by helping them assess trusts' ability to pay future distributions, plus the real value of trusts' units.

"One of the main issues is the confusion over how management determines what percentage of a trust's cash is distributable to investors," said Fred Pynn, who sits on CICA's Canadian performance report board, which wrote the report.

Pynn, president of Bissett Investment Management in Calgary, added guidelines are needed so investors can compare one trust over the other.

The full CICA report, called Distributable Cash in Income Trusts and other Flow-Through Entities, can be read at cica.ca/cpr.

The other report, written by independent analyst Diane Urquhart, is called Income Trusts: Heads I Win, Tails You Lose, and warns distributions financed by debt are like Ponzi schemes.

E-mail urquhart@rogers.com. to get a copy.