Business Affairs Ltd.

since 1985

BUSINESS MANAGEMENT QUARTERLY

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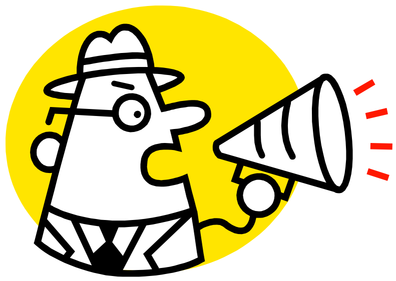
(DENTAL EDITION)

NEW PARTNER

We are pleased to announce a strategic alliance with the Transitions Group out of Burlington, Ontario.



Upon meeting with their team we were very impressed with what they can offer our clients.

Transitions is a full service dental practice management consulting firm that has been serving dentistry since 1984. Their vision is to make a positive difference in the lives of the Healthcare Professionals and Team Members they have the privilege to serve (their words exactly). Transitions is committed to the facilitation of meaningful, lasting enhancements in the professional and personal lives of its clients. Transitions' thoroughly trained and experienced coaches have intimate knowledge about how to create a dental practice environment that is congruent with successful business practices. They partner with their clients to identify the opportunities that exist within the practice. As a result, success strategies are designed so that clients achieve the results they want in their dental practices.

Transitions' 20 years of experience working with thousands of dental professionals has allowed them the opportunity to evolve and realize that dentistry is reinventing itself. There have been more advances in dentistry in the past 10 years than in the previous 25. Keeping up with current concepts becomes a practice management challenge if the practice does not have a plan for the future.

Transitions' coaches partner with the dental practice to assess the practice and create a customized plan for an implementation process that has measurable outcomes in order to achieve desired results. Clients may choose an enhancement program that best meets their dental practice needs. The programs available include; the Comprehensive Practice Assessment, the Signature Program, the Prestige Program, the Jump Start Program, the Basic New Practice Set-up as well as Basic and Advanced Leadership Coaching.

Transitions Group consists of a team who exemplify commitment, heart and a willing spirit. All members of the team have participated in hundreds of hours of professional development in the areas of coaching, leadership, technology, and systems integration. They are adult educators who facilitate dental teams to implement the changes you want for your practice.

There are 44 systems that drive a successful dental practice. Each system has equal value in working smart not hard. Transitions' proven success strategies combine leadership and team training with a systems approach to help dentists achieve their goals. Success can be a motivated team with enhanced communication and leadership skills. Success can also be efficient systems in the administrative area, periodontal disease management, case acceptance, financial management, and associate placement. All success strategies can lead to low stress and productive days that include enhanced patient loyalty winning smiles, comfortably managed appointment books, and tremendous financial rewards.

Anyone wishing to learn more about Transitions can either visit their website at www.transitionsonline.com or contact Barb MacGillivray at (905) 681-1011.

RETIREMENT COMPENSATION ARRANGEMENTS

Over the past year we have been consistent in our message regarding the benefits of incorporation, be it Professionally or through a Technical Services Corporation. We have also touched on a couple of different cash flow strategies such as the use of Dividends as part of a compensation package and why an Individual Pension Plan is better than an RRSP.

In this issue we will look at another beneficial vehicle within the incorporated structure…the

Retirement Compensation Arrangement (RCA). The information below was gathered from numerous financial planning websites.

An RCA is an unregistered retirement plan established by a company to provide additional benefits to an employee of the company, payable on or after the employee's retirement, loss of office or employment. It is funded by and tax-deductible for the employer or company.

Every dollar contributed by the company or employer, earned or gained through growth in value, is held in trust, half in a refundable tax account, and half in your RCA trust account. Upon retirement, these funds are paid out and taxed at your post-retirement tax rate. Canada Revenue holds the non-interest-bearing refundable tax account until your payments begin.

The funds in your RCA can be invested by the Trustee in a full range of investment vehicles. If you are earning a high income and want to increase your security or protect yourself from corporate insolvency, an RCA is a flexible, secure and tax-effective tool. It offers flexibility in funding, in the investment strategy for the funds in the trust, and in the dispersal at time of payout. Also, it is protected from future management or new company owners in the event of succession, mergers or acquisitions. There are no restrictions on the types of investments an RCA can hold.

The way in which your RCA is funded will make a significant difference to the security, tax effectiveness, and borrowing power that it provides.

The four principal funding approaches are:

1. Fully funded at set-up
2. Contributions over time
3. Using letters of credit
4. Using eligible life insurance plans

Benefits of an RCA for the company include:

- contributions to an RCA are not subject to payroll tax
- incentive for key employees - an RCA can play an important role in attracting and retaining high calibre employees

Benefits of an RCA for the employee include

- creditor-proof - since plan assets are separate from company assets, they are protected from the company's creditors

Though in general, Business Affairs is in favor of all financial planning vehicles, the RCA is third on our list of preferences because half of the contributions to an RCA is not able to appreciate. Though, some of this disadvantage may be able to be overcome because the RCA is not a registered pension plan and therefore, is not limited by the same contribution rules of a registered pension plan.

By the way, if you are wondering what our two most preferred financial planning vehicles are with a corporation…Universal Life Insurance and Individual Pension Plans.

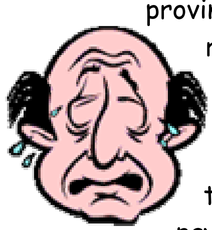
Please call the Mississauga office (866-322-7022) and ask for Frank if you would like more information regarding UL's, IPP's or RCA's.

ONTARIO BUDGET

Are you aware of how the recent provincial budget affects you or your practice?

As a tax payer please be aware OHIP will no longer cover "regular" eye exams (if you are between the ages of 20 and 65), physiotherapy (all ages) and chiropractor visits (all ages).

As a business owner you need to be aware you will be collecting a new tax on behalf of the provincial government. The recent budget re-introduced health premiums. Employees will begin paying this tax on July 1. For those of you preparing payroll through a payroll software, you will have to ensure to use the new payroll tables after your last payroll period in June.



ONE STOP SHOP

Earlier in this letter we introduced you to Transitions, one of our Practice Manager partners. However, the timing is right to recap all of the resources available to you through Business Affairs.

Over the past year we have teamed up with strategic partners from every facet of business, financial and legal planning.

On the financial planning side, we are working closely with Mark O'Farrell of Strategic Edge. Mark has numerous financial planning designations and is a Universal Life Insurance specialist. He has developed a very unique strategy for Universal Life Insurance within a corporation as a means of retirement planning.

In terms of Business Law, we have teamed up with Tracy Fleck, LLB, LLM. Tracy has significant experience in the healthcare industry and has opened up her own office since leaving Borden Ladner Gervais LLP. We turn to Tracy when looking to set up "Buy-Sell", Partnership or Shareholder agreements.

And finally, with respect to tax law we are working closely with John David Buote, MBA, MST (Taxation), LLB. John focuses specifically on tax law and is a tremendous resource when developing complicated financial planning strategies.

Given, Business Affairs' breadth of resources, please do not hesitate to contact us should you have any comments, questions or concerns regarding practice, business, corporate or financial planning issues. In fact, prior to implementing any of these strategies we suggest you do contact us to ensure all options are exhausted and all benefits are maximized.

TAX, TIPS AND TRAPS

Don't forget to checkout our latest issue of T, T and T.