



Business Affairs Ltd.

since 1985

BUSINESS MANAGEMENT
QUARTERLY

2005-Volume 1
(VETERINARY EDITION)

SUCCESSION PLANNING

What's your game plan?

When would you like to sell your practice? How long do you plan to practice (after you sell)?



How will the sale of your practice fit in to your Retirement Plan? Do you have a Retirement Plan in place? What is the best way to sell your practice?

How will your choices affect your family?

The answers to these types of questions help to lay the foundation of your Succession Plan.

When should a Succession Plan be developed...it's never too early to start, especially since a Retirement Plan is involved. The earlier you start the more time you may have to modify it depending on how much your circumstances change. However, the earlier you start the sooner you'll know where you want to go, metaphorically speaking. Once you know where you want to go, you can chart a path to get there.

If you don't have a Succession Plan, how do you know what you're doing is the right thing?

A Succession Plan marries your business (professional) and personal affairs. The plan is made up of a personal savings and a business transition strategy.

No two plans are the same because they are unique to the circumstances and preferences of the person for which they are being developed. The process is as follows:

- Step 1** Identify Objectives
- Step 2** Gather pertinent background information
- Step 3** Identify appropriate strategies
- Step 4** Implement strategies
- Step 5** Monitor and update plan

Step 1 is the most crucial element of the process and can be very time consuming. The plan is shaped by its objectives. Objectives need to be succinct, measurable and realistic. One of the objectives must capture the desired retirement lifestyle. By formalizing and recording the desired lifestyle, one can estimate what level of assets and income will be needed to fund said lifestyle.

In addition to desired lifestyle Succession Planning objectives would also outline the desired retirement age. By outlining the desired retirement lifestyle and desired retirement age, one can determine the appropriate amount of annual savings needed to fund the Retirement Objectives.

In Step 2 of the process, the Assets, Liabilities, Income and Expenses are identified. Assets represent the things that are owned (house, car, business, other investments, cottage, etc.). Liabilities are the amounts owed (mortgages, other loans, credit cards, etc.). Income is the compensation earned in a given calendar year. Expenses are the costs incurred in sustaining the current lifestyle (housing, food, transportation, education, hobbies, etc.).

Step 3 is the brainstorming part of the process. This is where the financial planner, with the help of other financial professionals and tax specialists analyzes the different strategies available to maximize savings. This includes determining appropriate investment strategies, business structure and insurance strategies.

As Step 4 suggests, once the appropriate strategies have been finalized they are put into place.

For individuals closer to retirement (i.e. within five to ten years of retirement), the plan should be monitored and updated every year (Step 5). Those with retirement horizons

greater than ten years can have the plan reviewed every three years.

Please contact Norma Jean, Carolina or me (Frank) if you wish to develop a Succession Plan.

INSURANCE ASSESSMENT

Insurance is a Risk Management tool. As morbid a thought this can be, all income earners need to consider how death, disability or critical illness would affect their family and their current standard of living.

Recently, Business Affairs has seen first hand in at least two cases how the unexpected can prove financially devastating. It is vital we all evaluate whether we have sufficiently managed, reduced or shared our potential for risk. This would entail sitting down with your insurance professional to evaluate your risk exposure.

Another reason to review your current insurance strategy is in the event there has been a change in business structure for the practice. For instance, those of you who have professionally incorporated must ensure your Business Overhead Insurance (BOI) policies and Disability Insurance (DI) policies have been modified accordingly.

For instance, BOI policies should be modified so that the PC is the policy owner and beneficiary since it is now the employer.



Further, if the practice is not incorporated, but uses a Technical Services Corporation (TSC or Hygiene Corp) to work along side the practice, then the TSC should also have a BOI policy (in which the TSC is both the policy owner and beneficiary).

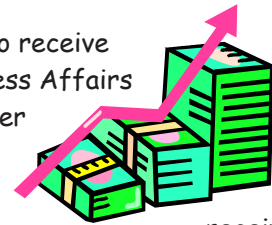
Please also note, DI policies should be paid personally. If paid by a corporation on your behalf, then the premium payments are taxable to you.

If you would like a second pair of eyes to analyze your current Risk Management arrangement, please contact Carmen Fascia out of our Mississauga office at 866-322-7022. Carmen will assess your needs at no cost to you.

2006 RRSP LIMIT

In 2006 the total RRSP contribution limit increases to \$18,000. In order to qualify to make the maximum contribution, the tax payer must earn \$100,000 for 2005 in insurable earnings. Insurable earnings are made up of, among other things, T4 Income and Professional Income.

For those of you who receive budgets from Business Affairs we will include a reminder of this on the 2005 budget. For those of you who do not receive budgets from BA, please ensure to set up the appropriate compensation arrangements, where necessary.



PAYROLL SERVICE

Recently, Business Affairs met with Nebs Payroll Service Limited. This is the same company that is known for their cheques and business forms.

Recently, Nebs entered the Payroll Services industry. Their service is unique in that you can use them as a traditional Payroll provider in that you provide them with payroll information and they calculate the employee wages. You can also use a non-traditional service called Nebs PayWeb.

With PayWeb, Nebs provides the Payroll Software through an internet website and you can administer the payroll. The benefit is speed and accuracy. Once the system is learned it will reduce, if not eliminate, mistakes and will speed up the pay process.

Better yet, if you so choose, Business Affairs could administer your payroll through the Nebs PayWeb service. If this is of interest to you, please contact Frank or Norma Jean for details.

Further information is available in an insert provided with this Newsletter. The insert was provided by Nebs and outlines the PayWeb features and benefits.

CLIENT SURVEY RESULTS

Thank you to all who participated in our bi-annual client satisfaction survey. The original survey was conducted in the Summer of 2002. Your feedback allows us to improve our service mix, as well as service level.

The results of the survey are as follows (previous survey's percentages appear in brackets):

If you were to describe Business Affairs services how would you do so?

- ⇒ 66.7% Accountants (73%)
- ⇒ 58.3% Business Managers (48%)
- ⇒ 25% Bookkeepers (43%)
- ⇒ 22.2% Financial Planners (24%)

How would you describe Business Affairs' level of service?

- ⇒ 42.9% Surpass My Expectations (9%)
- ⇒ 22.9% Somewhat Surpass My Expectations (27%)
- ⇒ 31.4% Meet My Expectations (55%)
- ⇒ 2.9% Do Not Meet My Expectations (9%)

Interestingly, on the previous survey there were many suggestions regarding the number of additional services clients would like to see from Business Affairs. One of the services identified was budgeting, which we implemented quickly thereafter. On this particular survey there were fewer service suggestions because

over the past two years, we have implemented many of the suggestions.

Thanks again for all who participated. Please keep in mind, we always have an open door policy when it comes to feedback or suggestions. Please contact me (Frank), Carolina or Norma Jean at any time with your comments, questions or concerns.

IMPORTANT NOTICE (T4's)...If you receive a PIER

The program that we have used for the past several years to prepare your T4's had, this year, what we shall call a glitch, for the use of a better word, when the information was transmitted to Canada Customs Agency via Magnetic Media. Not all of our files were affected.



If you should receive a Pensionable and Insurable Earnings Review, PIER for short, indicating that one or more of your employees are deficient in CPP and or EI, please send it to us and we will handle it.

For once, I'm feeling a bit sorry for the processing department at CRA, the program we use is the number one software used by the accounting industry across Canada. Every file that has been affected will have to be deleted, resubmitted by the preparer, and re-entered by CRA. We submitted hundreds files, multiply that by and that's why I feel a bit sorry for CRA.

Where's that aspirin bottle?

TAX TIPS AND TRAPS

We have included A Tax, Tips and Traps newsletters for your enjoyment.