



***Business Affairs Ltd.***

*since 1985*

BUSINESS MANAGEMENT  
QUARTERLY

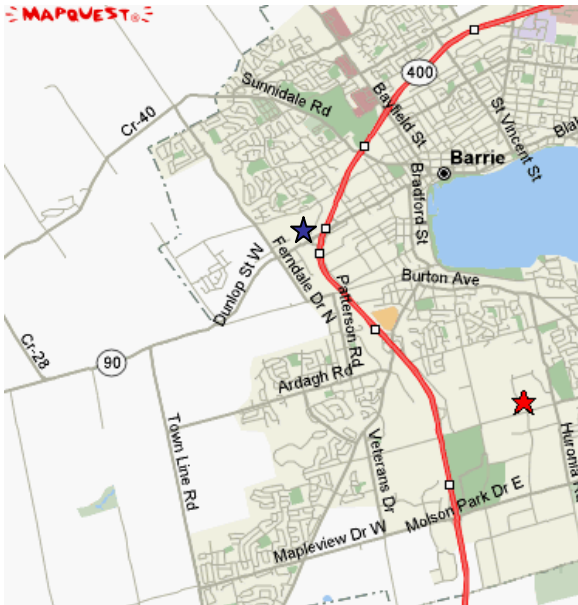
2005-Volume 3  
(VETERINARY EDITION)

## BARRIE OFFICE ON THE MOVE

As of December 29<sup>th</sup>, the Barrie office is moving to:

145 Welham Road, Unit 9, Barrie, ON L4N 8Y3.

The map below shows you where the new office is in relation to the existing office:



The blue star represents our current/historical location, whereas the red star represents our new location. The new location is east of Highway 400 between Molson Park Drive and Essa Road. Call for directions or visit our website at [www.businessaffairs.ca/](http://www.businessaffairs.ca/)

All phone and fax numbers are the same.

The purpose for the move was a better use of space and excellent storage facilities within our unit.

Stay tuned for our Spring/Summer Open House BBQ. We'll make sure to hold it on a Friday so that all you cottagers on the way up the 400 and those on the way down the 400 to Toronto can stop in and sample the treats.

Of course, you don't need an invitation, you can stop in any time to say "hi".

## MORE CHANGES

Though it's never easy, as a business owner, we all must deal with staff changes. Some times the changes catch us by surprise and some times we initiate them.

We recently had to say good-bye to one of our long time employees, Lisa Sander. It was a difficult decision for her to make given the friendships she has forged with the Business Affairs family and the relationships developed with many of the clients.

However, as we grow as individuals, more often than not our priorities change. Such is the case with Lisa. As of November 7<sup>th</sup> Lisa left Business Affairs to pursue a career in a less taxing (pun intended) environment. We wish her all the best.

We lost one good employee and have brought on another two exceptional team members.

On October 17, 2005 Bernadine Andrady joined the Mississauga office. Bernadine has taken on the role of Accounting Clerk and is directly involved in the Monthly Management process. She brings with her several years of bookkeeping experience in a number of capacities. In a very short period of time she has displayed initiative and exemplary work quality.

Tara Rayner joined the Barrie office on November 14, 2005 as a Bookkeeper. Tara came to Business Affairs from an accounting firm in the Golden Horseshoe area, as she and her family recently moved to the Barrie area. She will be indirectly involved in the Monthly Management Process and will provide vital support in many accounting areas. With the addition of Tara and Bernadine Business Affairs continues to strive to surpass client expectations.

## FINANCIAL PLANNING OVERVIEW

I recently sat through a presentation delivered by an associate named Tom Allain, a Certified Financial Planner out of Brampton, Ontario. I found the presentation to be informative and easy to understand.



The key ideas from the presentation were as follows:

*The elements of a Financial Plan include and are not limited to-*

- Retirement Planning
- Cash Flow & Debt Planning
- Investment Planning
- Insurance Planning
- Estate Planning
- Tax Minimization

*Financial Planning enables one to-*

- Help identify financial & personal goals & objectives
- Help identify financial problems
- Formalize written recommendations & solutions
- Receive assistance in implementing the right strategy
- Have the plan reviewed and revised periodically

*As listed above, one of the key elements in Financial Planning is Tax Minimization. Tax Minimization is achieved through Tax Planning. A common, yet effective Tax Planning tool is Income Splitting. Income-splitting involves shifting income from the hands of one family member who pays tax at a high rate, to another who will pay tax at a lower rate.*

*The benefits of income splitting are significant. For instance, someone who earns \$68,020 would pay roughly \$16,500 in tax. However, if the \$68,020 could be split between two family*

*members, then the total taxes to be paid would be \$11,200. The savings amount to \$5,300.*

*Income Splitting does not have to mean paying a family member for services rendered. Though not exhaustive, Income Splitting can also be achieved through spousal RRSPs, splitting CPP benefits between spouses and basing RRIFs on the younger spouse's age.*

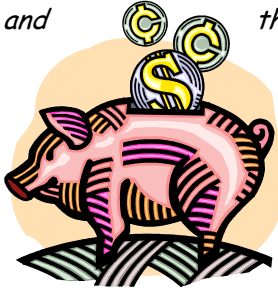
*In addition to Income Splitting, Investment Strategy is a crucial element to a Financial Plan. One's personal mortgage can play an important role in an investment strategy. How quickly a mortgage can be paid down, dictates how much cash will be available at a certain point in time for other investments.*



*Looking at it in another way, paying down one's personal mortgage represents a substantial return on investment. Consider the fact one's mortgage is paid down with after tax dollars. Let's assume a tax payer is in a 40% tax rate. In order to pay one dollar of interest, that tax payer would have to earn \$1.67 of income.*

*Using this same logic, if someone has a mortgage that carries a 6% interest cost, because this interest is paid with after tax dollars, 6% of after tax dollars is the equivalent of 10% interest on before tax dollars (assuming a 40% tax rate). This means anyone making extra principal payments on a 6% mortgage is realizing a return on their extra payments of 10%. This represents the before tax savings in interest.*

However the most important element of Investment Strategy is the time value of money and the benefits of compounding interest.



Let's look at two different people saving the same amount of money, but at different points of their lives.

Elaine is 25 years old and decides to save \$250 per month for the next 10 years so that by the time she is 35 years old, she will have made contributions of \$30,000 over those 10 years.

Larry, on the other hand, is also, 25, but does not want to save until he's 35 years old. Until then, he wants to have a good time. At 35, he will begin to save \$250 per month and will continue doing so for the next 35 years. Over that time frame, Larry will have made \$105,000 in contributions.

So to summarize, Elaine and Larry are the same age. Elaine puts away \$30,000 from age 25-34 and Larry puts away \$105,000 from age 35-69. If their investments both grew at 9% per year, at age 70 Larry's contributions will have grown to \$705,000. That's not bad. However, Elaine's contributions will have grown to \$1,014,000.

Financial Planning is extremely important to one's overall financial affairs. When dealing with a financial planner, it would be prudent to ensure they are considering every aspect of your life (i.e. present and future goals, assets and liabilities, cash flow streams, etc.) to help you get where you want to be.

If you wish to learn more from Tom, please visit his website at [www.trallain.ca](http://www.trallain.ca).

## **PARTNERSHIP/SHAREHOLDER AGREEMENTS**

On more than one occasion we have seen the best intentioned partnerships falter. In many

cases such incidences were inevitable. Some partnership dissolutions are rather painless, whereas others can be very stressful. The stressful splits are usually attributable to the fact there was no mechanism in place to handle the transition.

A Partnership or Shareholder Agreement won't prevent split ups, but will allow for the split up to take place in an efficient and effective a manner as possible. The agreements outline most of the issues working Partners or Shareholders may encounter over the life of their relationship.

The Partner/Shareholder issues can include:

1. Managerial Responsibilities;
2. Compensation;
3. Strategic Direction;
4. Capital Spending;
5. Borrowing;
6. Profit Sharing;
7. Adding additional Partners/Shareholders;
8. Vacations;
9. Sabbaticals;
10. Retirement;
11. Professional Liability;
12. Criminal Acts;
13. Disability;
14. Death;
15. and Exit Strategies.

If an agreement is in place prior to the working relationship, then all parties involved would have a solid understanding of what their role was and how certain issues would be remedied should they arise. This allows the Partners/Shareholders to concentrate on healthcare during trying times.

## **TAX TIPS AND TRAPS**

We have included a Tax, Tips and Traps newsletter for your reading enjoyment.