



***Business Affairs Ltd.***

*since 1985*

BUSINESS MANAGEMENT  
QUARTERLY

SUMMER 2003  
(DENTAL EDITION)

## INCORPORATION SEMINARS

It has come to our attention that there are many accounting and legal professionals offering informational seminars on Incorporating. Generally, the information provided at the seminars is valid and beneficial as it pertains to the benefits of incorporating. However, the benefits to incorporating are extremely subjective. Each professional considering incorporation needs to have his or her individual situation assessed.



In the past three months we have had a handful of clients begin the incorporation process shortly after attending a seminar, not realizing incorporating triggered tax consequences that could have been avoided if an assessment would have been done prior to the process.

Further, some of the fees published for incorporating and managing the corporation can be categorized as exorbitant. If you have attended a seminar and are seriously considering incorporating, please contact us so that we may analyse your particular situation and help you maximize your cash flow.

## BUSINESS AFFAIRS TEAMS UP WITH STRATEGIC EDGE



We are pleased to announce a working relationship (otherwise known as a strategic alliance) with Strategic Edge Chartered

Financial Consulting Inc. (SE). SE provides tailored corporate, personal and charitable financial planning. Their goal:

...is to provide a significant contribution to the achievement of your objectives working in concert with your existing advisors. Your team of advisors may include many people, such as your accountant and/or controller, lawyer, investment advisor, planned giving officer, real estate specialist, commercial realtor, family members and others

Our interest in SE revolved around their corporate planning expertise. They devise unique retirement planning strategies for small business corporation owners. The "chief poobah" at SE is Mark O'Farrell.

A graduate of Ashbury College in Ottawa and the University of Western Ontario in London, Mark is a Certified Financial Planner (CFP), Chartered Life Underwriter (CLU), Chartered Financial Consultant (CHFC) and Trust & Estate Practitioner (TEP). His professional experience includes:

- Vice President of Several Financial Planning Companies
- National Accounts Consultant to the IDA Industry
- Managing Director, Central Ontario (\$50 Billion Insurance Carrier)
- Owner, Successful Financial Brokerage

He is a Specialist in integrated tax strategies, Speaker, Trainer, Presenter and Writer.

Shortly, Norma Jean and I will be contacting many of you to set up meetings with Mark. There is no cost associated with attending the meeting. Mark will simply identify the opportunities within your corporate structure (be it a professional corporation or technical services corporation, such as Hygiene). If you do not wish to wait for our call, please contact us immediately and we will schedule a meeting between you, Mark and ourselves.

## **GST WARNINGS**

We have received many queries over the last month regarding GST rulings over Associate contracts. Depending on the language used in your contract with your Associate you may be susceptible to GST charges.

It would be prudent to have your lawyer review the contract to ensure you are not in a position that could cause you to pay back payments for GST.

## **FAMILY TRUSTS AND RENTAL INCOME**

Family Trusts had been set up so that income could end up in the hands of your family and be taxed at their (including children under 18 years of age) individual tax rate.

Therefore, many professionals were set up with business systems that included a practice, hygiene corporation and Family Trust, with the Trust owning the shares of the hygiene corporation. This allowed the corporation to flow dividends to



the beneficiaries of the Trust (including children under the age of 18).

A couple of years ago CCRA changed the rules so that if beneficiaries under the age of 18 received certain income from a Trust, the beneficiaries would be taxed at the highest marginal rate. However, CCRA did allow for rental income to flow through to an under 18 beneficiary and be taxed at that individual's personal tax rate. So, over the last couple of years there has been a transition for Family Trusts to take over ownership of buildings.

Well, as of December 2002 CCRA has changed the rules again. They have now taken away the rental income benefit. Therefore, if rental income is flowed through to an under 18 Family Trust beneficiary, the income will be taxed at the highest marginal rate.

Though the advantage of flowing income to an under 18 beneficiary has been removed, Family Trusts can still be an effective way to split income. We just have to choose our beneficiaries wisely.

## **TIRED OF RENTING AND THINKING OF BUYING A BUILDING?**

We have recently come across a unique service offered by a firm called Medivest Properties Inc. (Medivest). Medivest is a full service facility development firm. By full service they mean:

- Market Analysis
- Site Selection
- Site Acquisition
- Project Insurance Requirements
- Architectural Planning & Construction
- Property Management

- Office Space Leasing
- Leasing of Dental Equipment & Leasehold Improvements
- Complete Financing Package



Stand-Alone, or Multi-Unit their goal is to maximize your equity while you concentrate on your Practice.

If your cash flow can justify it, it may be extremely beneficial to own your own facility because:

- Rental income can pay down your mortgage
- You can generate a Positive Cash Flow
- You will Build Equity

For more information regarding Medivest and their services, please contact Mr. Sandy Basolini at 905-827-2543 or by e-mail ([sbasolini@mtcleasing.com](mailto:sbasolini@mtcleasing.com))

## BEING PROACTIVE ABOUT THE UNEXPECTED

Though never an easy topic to discuss, death and/or disability must be considered when preparing long term plans. A tragedy of this nature could result in uninformed decisions about your practice.

A letter of direction to your family or executors of your will can help to curtail any foreseeable problems in the event of a tragedy.

Mr. Tim Brown of ROI Corporation has been, and continues to be, particularly proactive regarding a dentist's long term plan. Tim has written different articles

encouraging professionals to put a plan in place in case the "unthinkable" was to occur.

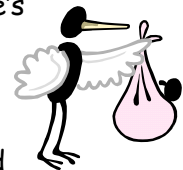
ROI corporation is positioned to handle your practice preservation needs. We have included a package from ROI in the event you choose to use their service.

Even if you choose not to use ROI's service, the important thing is to put the plan in place so that someone does preserve your practice value in the event of death or disability.

## LISA'S LEAVING US FOR A WHILE

For those of you who receive our Monthly Management Report, the person responsible for generating those reports is Lisa Sander. She is extremely diligent and analytical in her methods.

We are going to miss her. She's having a baby (by the end of August 2003). Lisa's last day was August 1<sup>st</sup>. Actually, it was July 31<sup>st</sup>, but we coaxed her into coming into the office on Friday, August 1 for a surprise going away luncheon.



There was enough grub for an army, which is a good thing since Lisa is eating for two.

We'll miss you Lisa.

In case you are wondering, we do have a replacement for Lisa. Her name is Nicole Rinella. Nicole is meticulous and loves budgets. We're confident she'll fit right in.