

2012 YEAR END NEWSLETTER

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December 2012

IN THIS ISSUE

- Christmas Shutdown
 - Taxation Issues
 - Tax Loss Selling
 - Scientific Research and Experimental Development (SRED) Claims
 - RRSP and TFSA – Contribution Updates
 - 2012 Personal Tax Credits & Deductions
 - Business Matters
 - When the Owner-Manager Can't Be There
 - Changes to Accounting Standards
 - Human Resources (HR) Matters
 - WSIB Seminar & Tips
 - Common Payroll Mistakes
 - Leadership Training 2013
 - DISC Behaviour Trait Assessment
 - 2013 Summer Student Grants
 - Accessibility for Ontarians with Disabilities Act (AODA)
 - Bill 168 Workplace Violence and Harassment
 - 2013 Employment Insurance Premium Rates
 - 2013 Canada Pension Plan Contribution Rates
 - HR Risks & Opportunities Assessment
 - HR & Payroll Forms, Templates & Checklist
 - Investments (IAIC)
 - The Potential Impact to Investors by the Government Preparing for a Demographic Shift
 - Office News, Comings and Goings, Congratulations
- Farming Matters (for farming clients only)
- Tax Planning
 - AgriStability Changes
 - Changes to AgriInvest
 - Agricultural Commodity Corporation (ACC)
 - Proper Name on Invoices

Christmas Shutdown

The offices of Ward & Uptigrove and Ward & Uptigrove Wealth Management (UMA) will be closed during the Christmas holidays from Tuesday, December 25th to Tuesday, January 1st, opening in the new year on Wednesday, January 2nd.

Taxation Issues

Tax Loss Selling

Given the ups and downs of the stock market over the last few years, many investors may be holding securities with accrued losses. Tax loss selling is a strategy to realize accrued losses and carry them back against capital gains realized in the three previous years.

You should first determine your realized gains and losses for 2012 and then review your tax returns for 2009 to 2011 to determine if tax loss selling can benefit you.

However, the primary decision to realize a loss on a particular security should not be tax motivated. The decision to sell should relate to your investment objectives.

You also need to be aware of the superficial loss rules. These rules apply to deny your loss where you, your spouse, a company you control, or your RRSP (1) acquire the same security within the period beginning 30 days before and ending 30 days after the security is sold for a loss and (2) the security is still held 30 days after the sale.

If you hold securities with accrued losses and don't have current or prior year gains, but your spouse does, there is a strategy to transfer your accrued losses to your spouse for their use. Please contact us if you are in this situation and want further information on implementing this strategy.

Canada Revenue Agency (CRA) considers the settlement date (not the trade date) as the date of a security disposition. Since security trades are subject to a three-day settlement period, and the Canadian stock markets are closed on Christmas Day and Boxing Day, ensure the trades are completed before the holidays and confirm the settlement date.

Scientific Research and Experimental Development (SRED) Claims

Canada offers generous incentives in the form of tax credits for businesses carrying out SRED activities. Many businesses perform these activities without realizing it. If you are undertaking activities such as:

- integrating new equipment into processes,
- developing new products and/or packaging,
- reducing the environmental impact of processes,
- extending the shelf life of products,
- designing custom equipment, or
- making products more consistent,

then you may be eligible to make a SRED claim.

There are also SRED opportunities in the agricultural sector, where a project may be completed that improves a product or process. Some examples of projects that may be eligible would be:

- increasing yields and gains through new techniques,
- improving growth cycles, or
- reducing drying times.

For most corporations, eligible amounts generate a refundable 35% federal tax credit. Corporations also receive a further 10% refundable credit from Ontario. If you believe your business may qualify to make a SRED claim, please contact us for more information on proceeding with a claim.

RRSP and TFSA - Contribution Updates

In general terms, the RRSP contribution limit for a given year is calculated based on 18% of your earned income for the previous year, less any amount of pension adjustment resulting from contributions made through your employer to your pension plan, plus any unused contribution room from a previous year. To generate the maximum RRSP contribution limit of \$22,970 for 2012 and \$23,820 for 2013, earned income of at least \$127,611 for 2011 and \$132,333 for 2012 is required. Your 2012 RRSP contribution limit can be found on your 2011 Notice of Assessment from the CRA. You have until March 1, 2013 to make RRSP contributions for 2012.

You can contribute up to \$2,000 more than your contribution limit without being subject to penalty tax on over contributions. While you would not be entitled to claim a deduction from your income for the extra \$2,000 contributed, you are able to shelter the tax on the income generated from the additional \$2,000 within your RRSP. The \$2,000 cushion is

intended to provide some protection from inadvertent over contributions.

The penalty tax is calculated as 1% per month to the extent that the over contribution amount exceeds \$2,000. This penalty tax is expensive, ensuring that it is not worthwhile to make contributions above this limit.

TFSA's, like RRSP's, are subject to contribution limits. When these limits are exceeded, a 1% penalty tax per month on the excess contribution applies, and unlike RRSP's there is no 'cushion' for excess contributions.

In general terms the contribution limit for a TFSA is the annual contribution amount (\$5,000 per year for 2009 through 2012, increased to \$5,500 for 2013) plus any unused contribution room of a previous year, plus amounts you have withdrawn from your TFSA in a previous year.

Many individuals have inadvertently created an over-contribution to their TFSA, because they did not know that withdrawals from a TFSA account only get added to their available contribution room on January 1 of the next calendar year. If you contribute \$5,500 to your TFSA account in 2013, withdrew money in 2013, and then contribute more money to your TFSA in 2013, you could be over the contribution limit.

If you are planning to make a TFSA withdrawal early in 2013, consider making the withdrawal before the end of 2012, as the withdrawal amount will be added to your contribution room on January 1, 2013, so you are eligible to re-contribute the amount in 2013.

2012 Personal Tax Credits & Deductions

If you want to claim certain tax credits and deductions on your 2012 personal tax return, ensure that the payments are made before December 31, 2012. Examples of specific credits and deductions that require payment by December 31, 2012 are:

- Charitable donations
- Children's arts and fitness
- Political contributions
- Medical expenses
- Professional and union dues
- Investment expenses including interest and investment counsel fees

Business Matters

When the Owner-Manager Can't Be There

An owner-manager's sudden illness or tragic accident can be devastating to the business.

Being prepared for the unexpected long-term absence of the owner-manager means having a plan. Every owner-manager should have a list of issues that need to be in order at any given moment in case they can't be there to manage the business.



The Chain of Command

Who will take over during the convalescence of an owner-manager? This is the time when a good succession plan clicks into place even though the person being succeeded may be expected to return. It is a time when the designated successor is tested. In situations where one or more owner-manager's spouse works for the company, a pre-planned temporary succession should prevent concern over control or domination by any one owner in the absence of the other. An acceptance by all owner-managers before the event avoids infighting and the loss of productivity and direction.

Remuneration While Incapacitated

Owner-managers should have a written agreement that stipulates the remuneration to be paid when one of the owners is incapacitated. The incapacitated owner is obviously not contributing to revenue but still needs funds to meet family living expenses.

Inform Staff

Staff should be immediately informed of the seriousness of an owner-manager's condition and any anticipated prolonged absence. Everyone should be fully briefed to prevent the anxiety and insecurity that creates rumours. Employees should know it is business as usual and should be told who will now be their go-to person.

List of Major Suppliers

Contact persons at major suppliers should be called immediately, informed that Mr. X is temporarily indisposed, assured that business will continue as usual, and provided with the name of the new contact person.

List of Major Clients

A list of contacts at major clients is also a good idea. Let them know that it is business as usual and give them the name of the new person to whom they should talk about products, services or invoicing. This will help to reduce the client's fears that the supply of goods or services will be interrupted by the absence of their usual contact, and also lessen the risk that the client will migrate to the competition.

Review Health and Disability Insurance

Policies should be reviewed annually to ensure coverage of key personnel is adequate for accident or health benefits in addition to death benefits. Do not defer this into the future. Understanding the policy and payout schedule and income tax implications of any benefits are also important to review.

Power of Attorney/Signing Authority

Many owner-managed businesses may have only one person authorized to sign cheques and important documents. Such limited authority can lead to banking or processing problems in the event that individual is incapacitated or suddenly deceased. If you as an owner are unable to manage the business ensure another individual(s) is empowered to sign cheques, authorize payments or negotiate loans.

Access Codes

Many owner-managers do not know important passwords. Passwords for all systems, as well as the combination to the in-house safe, should be provided to other key owners or stored in a secure place and available to authorized personnel in an emergency.

Shareholder Agreement

A signed and dated shareholder agreement is the most important document shareholders can have. A properly worded shareholder agreement determines the meaning of disability, voting rights, restrictions on transfer of shares, assignment of shares in the event of death or incapacity, right of first refusal, valuation, and a myriad of other issues that protect the company and owner-managers from actions that could destroy the company.

A shareholder agreement together with proper disability insurance planning should specify any remuneration for the incapacitated owner-manager and therefore assist family members in understanding any potential tax liability.

Lending Agreements, Contracts

A list of lending agreements and contracts with pertinent details of interest rates, collateral, due dates, caveats, and monthly pay amounts should be

immediately available to the successor of the incapacitated owner-manager. This knowledge, combined with a review of the in-house financial records of accounts payable, accounts receivable and bank balances, helps minimize a cash crunch.

Shareholders may wish to reassess the impact on the estate, the company, and on other shareholders of any corporate loans attached to the personal guarantee of the absent owner-manager that may be subject to call.

The Business Must Go On

Recovery from personal illness or an unfortunate accident can take days or months. Business can survive a few days without guidance or direction, but after that confusion and uncertainty set in and start to erode the confidence of management, employees, clients and suppliers. Completing and updating a list of key areas within your business eliminates confusion and ensures that the injured party comes back to a "business as usual" environment.

As your trusted advisor we can assist you in reviewing and addressing these matters.

Changes to Accounting Standards

Accounting standards for Not-for-Profit Organizations (NFPO's) in Canada are changing. NFPO's whose fiscal year begins on or after January 1, 2012 are required to choose a new accounting framework for their next fiscal year end – either that of International Financial Reporting Standards (IFRS), or Canadian Generally Accepting Accounting Principles for Not-For-Profit Organizations (GAAP-NFPO's).

In general, GAAP-NFPO's will retain most of the current accounting standards and simplify others. One new provision we believe will be of interest to our clients is the one-time ability to restate the value of capital assets (e.g. land, buildings, equipment, etc.) from their historical cost to fair market value.

The ability to restate the value of capital assets may have a positive impact on an entity's financial statement covenants and/or the ability to use these assets as security, as well as possible program funding. Costs are involved to revalue these capital assets, such as a professional appraisal or valuation to support the increase in value. There may also be other considerations when contemplating this one time revaluation of capital assets.

Professional advice should be obtained in making a decision on adoption of these new provisions and a proactive approach is the best plan.

Human Resources (HR) Matters

WSIB Seminar & Tips

Seminar

On November 22 2012, 42 people attended our WSIB seminar to learn about the changes, effective January 1, 2013 for the construction sector. Daiva Liskauskas from WSIB outlined the new requirements for independent operators, sole proprietors, partners, executive officers, home renovators and clearance certificates. Ben Cornell from Ward & Uptigrove spoke on some WSIB planning opportunities including the new rate group 755 for non exempt executive officers, officers working in the field, setting a system to track clearance certificates and setting up new rate groups for different business operations. Health Care Spending Accounts, a great benefit for small business employees and tax saving vehicle was also discussed. If you missed this seminar and want a copy of the handouts or have some questions contact Ben Cornell of our HR team.

Shareholders & WSIB

Did you know that shareholders are not automatically exempt from WSIB? In order to qualify for the executive officer exemption under WSIB rules, a shareholder must be elected as an officer (President, Vice President, Treasurer, Secretary etc.) or director and recorded in the company minute book.

Different Business Operations

Do you run two or more business operations out of your company? If so, have you set up a separate rate group for each business activity with WSIB? If not, you may be missing out on some WSIB premium savings if the un-separated business activity is in a lower rate group. We have had some success recently setting up additional rate groups for clients. Contact Ben Cornell for a review of your premiums.

2013 WSIB Annual Maximum

The WSIB maximum insurable earnings ceiling for 2013 increases from \$81,700 to \$83,200. To find out the 2013 rate for your rate group go to <http://www.wsib.on.ca>.

Common Payroll Mistakes

We offer payroll processing services and payroll advice.

Some of the issues to look out for in 2013 include:

- New contributions for CPP for employees over the age of 60. Employee's must now contribute to CPP up to age 65. Between the age of 65

and 70 employees have the option to contribute. It is the employee's responsibility to fill out a CPT30 if they would like contributions to stop. You may not stop contributions unless you receive this form from the employee.

- AD&D and Critical Illness are becoming taxable benefits and therefore subject to CPP and Tax.
- A reminder, when filing on paper, an ROE must be issued within 5 calendar days of an interruption of earnings or the date they become aware of the interruption. There are exceptions to this rule, so contact us regarding your particular situation. There are also different guidelines for electronic vs. paper filing.

Leadership Training 2013

Leadership Strategies is designed to give you or your employees the tools to lead and supervise effectively. It covers time management, conflict resolution and communication for results, motivating, coaching and team building.

- Five consecutive Thursdays March 21 & 28 and April 4, 11 & 18 2013
- Investment: \$895 per participant

To register or get more information email Lindsay Hunsberger at lindsayh@w-u.on.ca or call 519-291-3040 ext 700 or visit www.wardanduptigrove.com. This is the 8th time we have run these workshops. This series usually sells out so contact Lindsay early to avoid disappointment.

DISC Behaviour Trait Assessment

We have had success lately using a great tool called DISC to select new hires, manage & coach performance, improve communication, resolve conflict and build teams.

DISC measures observable behaviour and emotions. Behaviours are considered to be the "how" of your life and are apparent in the things you do and how you act. DISC is the language of people watching, or observing behaviour and emotions. Behavioural characteristics are categorized into four dimensions of normal behaviour which are referred to as DISC:

D - Dominance

I - Influence

S - Steadiness

C – Compliance

These assessments are reasonably priced at \$100 each. Volume discounts are available.

If you're interested in knowing more about this great new tool contact us.

2013 Summer Student Grants

Last year the Ontario government ran both the Summer Jobs Service (SJS) and Rural SJS program to assist employers in providing summer employment for students. The deadline for applications was mid April. The Ontario SJS programs were run on a first come first served basis. A typical 2012 SJS grant was \$700 per approved student with a limit of three funded students (\$2,100) per applicant. The Ontario rural program was slightly more generous. We expect both programs to be available again in 2013 and encourage you to apply early in 2013 to ensure you don't miss out. Be aware students will require WSIB or equivalent coverage. We can help you apply. For more information go to

<http://www.omafra.gov.on.ca/english/rural/rsj/index.htm>

Accessibility for Ontarians with Disabilities Act (AODA)

The AODA is a group of standards dealing with accessibility for all Ontarians with disabilities. If you are a small business in Ontario that provides goods or services either directly to the public or to other organizations in Ontario and have one or more employees, these standards apply to you. They will be enforced, therefore compliance is required.

Last year we educated our clients about the first standard called the Customer Service Standard which required compliance by January 1, 2012. Employers with 20 or more employees are now required to file a report by December 31, 2012 confirming that you have met requirements of the Customer Service Standard. The report takes 20 minutes to complete and can be done online. Visit: www.ontario.ca/AccessON to file your report.

On July 1, 2011 the second standard called the Integrated Accessibility Standard became law. The specific compliance requirements under this standard have now been released and will be phased in between 2013 and 2025. This regulation provides details on what your organization must do to ensure accessibility in the areas of information and communication, employment and transportation (as applicable).

If you are a private sector organization that does not have employees, you are not obligated to act upon the requirements of these standards.

Contact Deborah Good for further information and support with compliance. Phone: 519-291-3040 x703, Email: deborahg@w-u.on.ca.

Bill 168 Workplace Violence and Harassment

Effective June 15 2010, the Bill 168 or Workplace Violence and Harassment legislation was added to the Occupational Health and Safety Act, Ontario. Ministry of Labour inspectors have this on their radar and will be checking for compliance on their visits to workplaces in Ontario. This legislation requires you to develop a policy and procedure for dealing with violence in the workplace, perform risk assessments, and to train employees to recognize and respond appropriately to violence in the workplace. Violence includes harassment and domestic abuse in the workplace. The OHSA applies to workplaces with workers, therefore most businesses in Ontario must comply. Ministry of Labour are checking for compliance with these rules. If you need assistance complying contact Deborah Good.

2013 Employment Insurance Premium Rates

Effective January 1, 2013 the employee EI premium rate increases to \$1.88 per \$100 of insurable earnings. The maximum insurable earnings for 2013 increases to \$47,400. The maximum employee contribution is \$891.12. Employers will normally pay 1.4 times the employee contribution or \$2.63 per \$100 of insurable earnings. The maximum employer contribution for 2013 is \$1,247.57.

If you provide your employees with a short-term disability plan, you may be entitled to a reduced EI rate. You must apply for this rate reduction annually - before the year commences. For more information log on to the HRSDC website at www.hrsdc.gc.ca and check under Employment Insurance programs.

2013 Canada Pension Plan Contribution Rates

Effective January 1, 2013 both the employee and employer CPP contribution rates remain unchanged at 4.95% of pensionable earnings. The basic exemption remains unchanged at \$3,500. Maximum pensionable earnings for 2013 increases to \$51,100. The maximum contribution for both employers & employees is \$2,356.20.

For an idea on how a business owner can avoid paying CPP on personal earnings visit our website at www.wardanduptigrove.com or contact us.

HR Risks & Opportunities Assessment

Are you aware of the risks and opportunities related to your most valuable resource, your people? We have developed an assessment tool that will allow

you to evaluate how your organization is performing. Contact Deborah Good to discuss how this tool will benefit your company.

HR & Payroll Forms, Templates & Checklist

We have developed over our 13 years of HR practice many best practice HR & payroll forms, templates and checklists such as a new hire form, master offer letter, performance review form, termination checklist etc. Why re-invent the wheel? Give us a call and we can share our resources with you for a modest fee.

If you need help with any of the above HR issues please contact one of the professionals in our HR practice.

Investments (IAIC)

The Potential Impact to Investors by the Government Preparing for a Demographic Shift

When looking at a chart depicting the number of Canadians born in a year, one sees a bulge in the post war years of 1946 through to 1961 and a dramatic tailing off from 1962 to 1966. Drilling down even further in the data, there were more people born in Canada between 1960 and 1961 than during any other two-year span in this country's history. What this all means is that in the coming years, there will be a very large demographic cohort entering retirement. These people will no longer be net providers to the government and as they age, they will be drawing on government resources. Pensions and social assistance will become a larger portion of government expenditures. But more importantly, with healthcare costs per capita increasing approximately 400% for individuals between the ages of 50 and 70, over the next 10 to 15 years, the cost of providing healthcare is anticipated to double.

Unfortunately, rising costs are only one side of the equation. Prior to 1962, Canadians were averaging five children per family. Since then, the rate has steadily declined to an average rate of less than two. This means that as baby boomers make their way into long-term care and begin to burden the healthcare system, the number of people in their peak earning years, 47 to 52, is shrinking. So in addition to the burden of escalating costs, the government is also facing diminishing revenues.

As a first step to address this in the long-term, the most recent federal budget included proposed changes to Old Age Security (OAS). For those born after March 1958, OAS eligibility will be pushed back up to two years. While these changes will not

take effect until 2023, many Canadians will need to amend their financial projections and make up the shortfall through personal savings. For the average couple, this means an additional \$25,000 in net present value.

Many analysts are predicting this demographic shift and change to OAS will have an impact on the asset mix of savings and retirement funds. Retirees will be seeking income and safety, however, low interest rates will continue to prevent many from meeting their financial objectives. To balance their objectives, there is expected to be a rotational shift to larger, "blue-chip" companies that reward investors through dividends. More investors with income needs will be seeking well-established companies with a consistent track record of profit growth and a dividend policy related to profitability.

Disclaimer

This piece has been prepared by Independent Accountants' Investment Counsel Inc. (IAIC). The views and opinions expressed are based on historical company fundamentals and market statistics. No guarantee of outcome is implied and opinions may change without notice. Investors should not base any of their investment decisions solely on this report.

IAIC integrates its financial planning and investment management services with accounting and tax services provided to clients by accounting firms across Ontario, including Ward & Uptigrove. To learn more about IAIC's services, please contact your accountant or visit us online at www.iaic.ca.

Office News, Comings and Goings, Congratulations

2012 has been a very busy year at Ward & Uptigrove. As most of you are no doubt aware, we have been undergoing extensive renovations on our facilities. These started in March and are in the final stages of completion. We have expanded to the second floor of the building, with the addition of a new multi-purpose conference room and expanding staff lunch room. In early 2013, we will be moving staff in our business group to new office space on the second floor, allowing for our continued growth over the coming years.

Jonathan Audette joined our business group in January 2012. Jon graduated from McMaster University with an Honours Bachelor of Commerce and worked for two years at Craig Keller Chartered Accountant in Kitchener. Jon successfully wrote the Uniform Final Exam for the CA program this past September.

Nick d'Halluin joined our farm group in January 2012. Nick graduated from Wilfred Laurier University's accounting diploma program in December of 2011. He grew up in the Listowel area helping out on the family farm. Nick successfully wrote the Uniform Final Exam for the CA program this past September.

Julie Jeffray started with Ward & Uptigrove in the farm group in November 2012. Julie is a native of the Belmore area. She will be assisting with client bookkeeping and farm programs.

We will be welcoming Philip Boertien and Darren Rennie to our firm as co-op education students during the 2013 tax season. The co-op education experience allows students to get valuable work experience as well as a first hand look at their chosen field of study.

John Collins successfully wrote the Uniform Final Evaluation for the CA program this past September. He has a few months of practical experience to finish and will then be awarded his CA designation.

Lindsay Hunsberger of our Human Resources group obtained her Payroll Compliance Practitioner (PCP) certification from the Canadian Payroll Association.

Several staff members received years of service awards at our annual Christmas party in November. We congratulate and thank the following:

- Barb Driscoll – 15 years
- Jackie Landman – 15 years
- Peter Verbeek – 15 years
- Murray Coghlin – 40 years

Robyn MacEwen returned from maternity leave in March, Deborah Good returned in November and Kerri Schuettel will return in January. Alicia McDonald is on maternity leave as of late November.



Merry Christmas from the Partners and Staff of Ward & Uptigrove!

Partners:

Wil Bakker CA CFP
Brad Buchanan CGA
Ryan Deyell CA
Paul Hak CMA
Dave LeGault CGA
Besnik Sulemanovski CA
Kris Uptigrove CA

Retired Partners:

Bob Loree CA
Norm MacLennan CA
Clare Newell CA
Tom Soltys CA
Bob Uptigrove CA

Principals:

Brendan Magee CA
Jennifer McArthur CA
John Padfield CA
Grace Slot CA
Pete Verbeek CA

W&U Human Resources:

Ben Cornell CA CHRP
Deborah Good CHRP
Lindsay Hunsberger
Carrie Sharpin CHRP

Staff:

Randy Anderson
Jonathan Audette
Brad Bakker CA
Dan Benbow
Tracy Bender
Tim Bridge CA
Sherri Buchanan
Shirley Buchanan
Murray Coghlin
Rita Cole CGA
John Collins
Mark Cranbury CMA
Nick d'Halluin
Don Dietrich
Sharlene Dowdall CGA
Barb Driscoll
Peter Dykstra
Cheryl Gibson CGA
Shayna Gibson
Valerie Gillespie
Mary Ann Grobbink
Becky Harding
Ruth Helmka
Annette Hoiting
Julie Jeffray
Irene Keunen
Cheryl Laffin
Karen Larson
Debbie Loree
Robyn MacEwen CGA
Alicia McDonald CA
Curtis McLaughlin
Don McPhee
Rebecca Newbigging
Mark Nolan
Dianne Nonkes
Chris Pooley
Doug Porter
Cam Rowlands
Kerri Schuettel
Luke Simpson
Brenda Sippel
Jon Soltys CA
Michael Van Niekerk
Steven Van Meeteren
Mike Weber CA

