

## 2013 YEAR END NEWSLETTER

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### Christmas Shutdown

The offices of Ward & Uptigrove and Ward & Uptigrove Wealth Management will be closed during the Christmas holidays from Wednesday, December 25<sup>th</sup> to Wednesday, January 1<sup>st</sup>, opening in the new year on Thursday, January 2<sup>nd</sup>.

### Retirement Planning – Wealth Management

#### **The Big Five-O - Retirement is Coming**

When you are 35, your life stretches endlessly ahead of you. You are in the midst of child rearing and career building. Over the next 15 years, paying off your home, educating your children and consolidating your career are the main areas of focus.



Then there's that fiftieth birthday party. The Big Five-O has arrived. By now the children are probably either out of the nest or well on the way, you have a good picture of what your career is

going to be and your business is well established. The issues of the day are not the same as they were when you were a younger adult with a new family and at the beginning of your career. You now have memories of formative experiences, but retirement and mortality are starting to slip into your thoughts.

#### **No Formula for Successful Retirement**

Happiness in retirement is not dependent solely on having sufficient funds. You need to look at the whole picture of the lifestyle you wish to have and the effect on it of your present and future assets and debt. A little attention paid today should give you some idea of how you want to live in retirement and enable you to start planning. Here are some areas you should consider when gathering information about the change to your life that is inevitably coming.

#### **Retirement Goals**

An important aspect of any retirement plan is determining what you would like to do. Maintenance of your present lifestyle is a good baseline from which to compare other possible lifestyles. What is the minimum amount of other income you would need to continue your present lifestyle if your earned income ended? What would it cost to do some things you can't do now because you are still working? For example, what if you want to live in Florida during the winter and spend the summer at the cottage in Canada? That retirement goal is much different from staying in Canada year round. Each goal requires different financial considerations.

#### **Personal and Spousal Health**

Health is an important concern, especially if you are unable to obtain additional insurance or plan to spend a lot of time travelling or living in a foreign

jurisdiction. Before you make any major commitments to retiring abroad, make sure you understand your provincial health coverage and how to maintain it while out of province. In a similar vein, take a look at the cost and coverage of travel insurance for extended travel abroad.

### **Property and Other Assets**

List all your real estate, personal assets and liabilities with the assigned value and debt attached with them. This will provide an estimate of your current net worth and permit a strategy aimed at reducing the debt within a reasonable time frame.

### **Foreign Real Estate**

If you own foreign real estate and decide to spend part of your time there, you need to investigate that country's sojourn and visitor rules to ensure you do not overstay your visit and end up being required to pay residency taxes.

### **Investments**

Your portfolio should be divided between registered (RRSP) and unregistered investments and between debt and equity. What is the annual rate of return on your investments overall? Is the portfolio well diversified? Will it be able to provide funds for your retirement if it continues to grow at its historical average rate? Does your spouse have an RRSP? Is there room for more contributions? Are your investments structured to be tax efficient?

### **Wills and Powers of Attorney**

If you don't have these critical pieces of documentation or if circumstances have changed significantly since they were written, make the changes now. You need to provide the survivors with a guideline for your physical and health care as well as for the disbursement of your physical and financial assets.

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***What is the likelihood of advancement, retirement or dismissal after age 50?***

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### **Job Security and Opportunities**

Be honest with yourself. At the age of 50, what is the likelihood of advancement, a retirement package or dismissal? What are your options if the job ceases to exist because of changes in technology, a merger or acquisition?

If you are self-employed, what are your succession plans? Do any of your children want to take over the business? What is its growth potential if you want to sell it as a going concern?

### **Pensions from Employment**

Review the terms of your pension plan. Is it fully funded? If you are dismissed, is the pension transferable? Is there any possibility the company may go bankrupt and be unable to honour its pension obligations?

### **Life and Health Insurance**

Life insurance and health insurance become more expensive with age. Insurance may not be available if you become sick or present policies expire. Consider whether additional life insurance or health insurance should be purchased while you are still able.

### **Tax Consequences**

You should have a clear understanding of the tax consequences in the event of your death, the death of your spouse, or your simultaneous deaths. Determining the financial impact on survivors will assist in determining whether the asset mix, beneficiaries or ownership should be changed or whether additional insurance might be the answer.

### **Putting It All Together**

In the end, all of this knowledge must be synthesized in a long-term action plan. You will need to seek the advice and collaboration of your spouse, your family, your financial planner and your banker to gather all the information required. After all the information has been collected and summarized, consider meeting with your accountant for guidance as to whether your retirement goals must be modified to fit present and future financial realities.

At Ward & Uptigrove we can act as your trusted advisor in preparing an overall retirement and estate plan that will help provide comfort and direction. Within Ward & Uptigrove Wealth Management Inc. we are dedicated to personal financial planning. Our financial planning operation is unique in that we are able to effectively integrate personal financial planning with your business planning. This helps to ensure that future retirement and estate planning needs have been considered.

## **Taxation Issues**

### **A Lesson in Record Keeping**



**The *Income Tax Act* requires you to keep all documents supporting your business activity; in an audit, the CRA will demand them.**

#### **Keep Everything**

According to the *Income Tax Act*, taxpayers must keep “records and books of account ... together with every account and voucher necessary to verify the information contained therein” for a period of six years following the last taxation year to which they relate. For corporations, the start of the six-year period is the fiscal year; for individuals, the calendar year.

#### **Show Us the Proof**

The recent appeal ruling in *Tibilla v. The Queen* before the Tax Court of Canada, July 3, 2013, reinforces the need to maintain documentation. In summary here is what led to the ruling:

1. Mr. Tibilla (the taxpayer) acquired a rental property for \$172,000 November 14, 2002, and sold it on December 18, 2007, for \$285,000 but declared no capital gain in his 2007 tax return.
2. In 2010, the Canada Revenue Agency (CRA) advised the taxpayer that his return for 2007 was under review and that he was required to provide copies of the contract of purchase and sale, a statement of the capital cost allowance claimed over the years the property was owned, a list of any expenses related to the purchase and sale as well as the receipts for those expenses.
3. The taxpayer requested that the gain assessed be reduced for \$52,810 in renovation expenses claimed to have been incurred.
4. The CRA rejected the renovation expenses because the taxpayer provided no vouchers.
5. The judge also ruled that the period between the date of purchase (November 14, 2002) and the date of sale (December 18, 2007) was not six years and, in any case, the *Income Tax Act* required the taxpayer to keep records of any claims until the expiry of the appeals process, which the taxpayer had not done.

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***The burden of proof for deductions lies with the taxpayer.***

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#### **Lessons**

Referring to other cases, the judge emphasized that, since our tax system is based on personal self-monitoring, the burden of proof for deductions and claims lies with the taxpayer. Just keeping notes is not enough; documents are required. If Mr. Tibilla had been able to produce records of his renovation expenses (and if they had been accepted by the CRA), he would have saved himself a significant amount in taxes and legal costs. Mr. Tibilla's inability to produce his expense records resulted in an additional \$52,810 capital gain.

Individual and corporate taxpayers should consider the following:

- Locate the original documentation pertaining to any capital property.
- Review the record destruction policy to ensure you are retaining pertinent records.
- Contact your lawyer, accountant, real estate advisor, appraiser or other professional to determine whether they have copies of any of your records that may be required. If possible, get the originals and leave them copies.
- Keep in mind that professionals change firms, die, or sell their business to others. If your professional is no longer available, review past tax returns and statements to determine whether there are any issues that may require documentation held by their predecessors. Ask your current professional if they have documentation for the years in question.
- Establish a relationship with a CA firm. Your CA will be attentive to maintaining historical information.
- Maintain originals of all documents. After all, as noted above, it is your responsibility to produce the necessary documents to support your claim(s).

#### **Get It All Together**

As you approach retirement and plan to sell the company or transfer ownership to others, you will need to have documentary evidence of past transactions to ensure any tax liability is kept to a minimum. Owner-managers should be aware that maintaining proper historical records is important.

#### **Year-End Tax Issues**

**Check your portfolio; you may not have to pay as much capital gains tax as you thought.**

As the year end approaches owner-managers can find themselves faced with difficult choices in order to keep the tax liabilities of their businesses, themselves and their families to a minimum. Three important areas are capital losses, pre-tax remuneration vs. dividends and RRSP contributions.

### Capital Losses

If you have an investment portfolio outside your TFSA, RRSP or RRIF, you should review it with your investment advisor to see whether you could reduce your capital gains by taking some capital losses before the end of the year. Since capital losses can be carried forward from prior years to offset gains in the current year, review your last tax return with your accountant to see whether any capital losses are available. Keep in mind that any sales to create capital losses must be made at least three trading days before the final settlement date of December 31 in any given year (December 24th for TSE listed stocks).

Further, if you sell the losing stock to get the benefit of the capital loss but would like to repurchase it to retain a position in the company, you must wait 30 days or you will not be able to claim the capital loss (the superficial loss rule). The capital loss would also be denied if your spouse were to acquire the stock either from you or on the market within that 30-day period and continue to hold it at the end of that period. Just in case you are thinking of selling a security at a loss in order to create a usable capital loss then repurchasing under your RRSP umbrella, remember the superficial loss rule will still apply.

### Next Year's Capital Losses

Investors who realize capital gains (net of capital losses) in 2013 but have no losses carried forward will pay tax on the capital gains.

However, because capital losses can be carried back three years, capital losses generated in 2014, 2015 and 2016 can be used to recover taxes paid on the capital gains incurred in 2013.



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***Paying out taxable profits can reduce the corporate tax rate to zero.***

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### Pre-Tax Salaries vs. Dividends

Salaries and bonuses to owner-managers or family-member employees should be considered as a way of reducing corporate taxes. We can determine how additional remuneration to family members will impact the collective tax liability of the family. It may also be possible to time the payment of remuneration to reduce the corporate taxes paid while deferring the personal income tax liability to the following year.

Payment of dividends is another option. Dividends are paid out of retained earnings, (i.e., after the corporate income tax has been paid) and attract a lower income tax rate than remuneration, which is deducted in computing corporate income.

The choice between dividends or salaries can become contentious where tax rates vary among family members and where not all family members are shareholders. Taking dividends rather than salary, for example, will impact CPP and future RRSP contributions. Thus, it is advisable to be aware of the impact on each family member and to obtain shareholder consensus on the preferred means of remuneration.

Although dividends may be declared any time in the year, they are not taxable until they are actually paid. Any plan to defer payment to a later calendar year should be discussed with your accountant as it impacts the corporation as well as the individuals receiving the dividends.

### RRSP Contributions

In many cases, an effective means of reducing personal taxable income may be to contribute to an RRSP. For 2013, the RRSP limit is \$23,820.

If you have not yet made the maximum contribution (the lesser of \$23,820 or 18% of 2012 earned income minus any pension adjustment) for the 2013 calendar year, you have until March 1, 2014, to do so.

### Seek Advice from Your CA

Addressing capital-gains-and-loss issues, salaries, pre-tax remuneration or dividends, and RRSP contributions with your accountant before year end should be foremost on the minds of owner-managers at this time of year. Some ways of reducing tax liability may be time sensitive and require a review of available options with shareholders and family members.

## **Business Matters**

### **Internal Controls**

It is important for business owners to understand their accounting internal control structure to ensure minimizing the risk of loss or misappropriation of assets .

An accounting system is comprised of the following elements or cycles: cash disbursements, cash receipts, sales, purchases, inventories and payroll. One, several, or many employees or individuals are responsible for various tasks throughout each of these accounting cycles. As a general rule of thumb, if one individual has access to assets ( i.e.cheques, inventories, deposits) and has access to the general ledger (i.e.entering transactions, making journal entries), then internal control risk exists. Sometimes accounting departments are too small to ensure these tasks are separated. A business owner should at least be aware of the control risks, and ensure, if possible, other controls are in place to minimize these risks.

Consider the following examples in your organization:

- Cash receipts cycle: Who makes deposits, posts journal entries into the general ledger, takes money to the bank, and reconciles the bank account?
- Cash disbursements cycle: Who authorizes supplier invoices to be paid, prepares cheques, signs cheques, and mails the cheques to the supplier?
- Payroll cycle: Who prepares payroll, pays the employees, and manages human resource functions?

If one individual has responsibility for more than one of these functions within each cycle, control risk exists.

Consider ways to change employee duties within each area of risk and/or add controls at the owner or manager level to reduce overall risk. Some examples of high level controls: owners or managers could review and authorize bank reconciliations, approve payroll remittances prior to payment, have two cheque signing officers, or demand monthly financial reports and ask for supporting documentation if something does not look right.

Ward & Uptigrove has assisted clients in the past with a review of client internal control systems. We can help you understand what is going on within your accounting system, the control risks that exist,

and recommend areas of improvement to ensure peace of mind. Contact one of our professional accountants if you want to review this further for your business.

## **Human Resources (HR) Matters**

### **WSIB**

#### **New WSIB Rules for Construction Businesses**

Effective January 1, 2013, WSIB introduced new rules for the construction sector. The new requirements affect independent operators, sole proprietors, partners, executive officers, home renovators and clearance certificates. WSIB views 2013 as a year of transition. The WSIB has stated that effective January 1, 2014 they will be rigorously enforcing these new rules and imposing penalties for non-compliance. We have noticed many clients are not fully aware of new rules concerning executive officers. Each construction firm is allowed one executive officer exemption who is not in the field. If you have more than one executive officer who is not in the field you can apply for a special new low rate (21 cents per \$100 in 2013) Rate Group 755. Applications must be filed for the one exemption and also for Rate Group 755. If your executive officers change you need to file an amended form.

#### **2014 WSIB Annual Maximum**

The WSIB maximum insurable earnings ceiling for 2014 increases to \$84,100 from \$83,200. The 2014 rates have been frozen at the 2013 levels. To find your rate go to <http://www.wsib.on.ca>.

#### **Mandatory Health & Safety Training**

Effective July 1, 2014 all Ontario employers are required to conduct mandatory worker and supervisor health and safety training covering employee and supervisor rights, duties and responsibilities under the Occupational Health & Safety Act. The Ministry of Labour has prepared training booklets for this training which are provided free of charge or can be downloaded through the Ministry of Labour website at <http://www.labour.gov.on.ca/english/hs/training/index.php>.

#### **2014 Summer Student Grants**

In 2013 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 2013 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 2014 and encourage you to apply early in 2014 to ensure you don't miss out. Be aware students will require WSIB coverage. We can help you apply. For more information go to

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

### **Ontario Youth Employment Fund**

The Ontario government introduced a new program, effective September 23, 2013 to promote the hiring of youth aged 15 to 29. This program pays up to \$6,800 towards the wages and training of new youth hires. The youth must be unemployed, a resident of Ontario and not attending school full time. For more information go to

<http://www.tcu.gov.on.ca/eng/employmentontario/youthfund>.

### **2014 Employment Insurance Premium Rates**

Effective January 1, 2014 the employee EI premium rate is frozen at the 2013 rate of \$1.88 per \$100 of insurable earnings. The maximum insurable earnings for 2014 increases to \$48,600. The maximum employee contribution is \$913.68. Employers will normally pay 1.4 times the employee contribution or \$2.63 per \$100 of insurable earnings. The maximum employer contribution for 2014 is \$1,279.15.

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 visit the HRSDC website at [www.hrsdc.gc.ca](http://www.hrsdc.gc.ca) and check under Employment Insurance programs.

### **2014 Canada Pension Plan Contribution Rates**

Effective January 1, 2014 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 2014 increases to \$52,500. The maximum contribution for both employers and employees is \$2,425.50.

## **HR Services and Training**

### **Leadership Training Spring 2014**

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

- Five consecutive Tuesdays, March 18, 25, April 1, 8 and 15, 2014
- Investment: \$945 per participant

To register or get more information email Lindsay Hunsberger at [lindsayh@w-u.on.ca](mailto:lindsayh@w-u.on.ca) or call 519-291-3040 ext 704 or visit [www.wardanduptigrove.com](http://www.wardanduptigrove.com). This is the 10<sup>th</sup> time we have run these workshops. This series usually sells out so contact Lindsay early to avoid disappointment.

### **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 us to discuss how this tool will benefit your organization.

### **Coaching**

Do you have an employee who is struggling? Don't have the time to get them back on track? Ward & Uptigrove now offers a coaching service which can help. We partner with your key employee to identify and develop competencies (experience, knowledge, skills and capabilities) to enable the person to use them to achieve defined goals

### **DISC Behaviour Trait Assessment**

We have had great success lately using a 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

If you are interested in knowing more about any of these services, contact us.

## **Congratulations**

In recognition of his increased client responsibilities, Brad Bakker CPA, CA is being promoted to the position of Principal in the firm effective January 1, 2014. Brad will work in a Business Advisory capacity.

Following completion of Part 3 of the Canadian Institute of Chartered Accountants In-depth tax course, Tim Bridge CPA, CA is being promoted to the position of Principal in the firm effective January 1, 2014. Tim will focus in the area of taxation.

Barb Driscoll successfully passed the final exams of the CGA program this past spring. She will be finalizing her experience requirements and obtaining her CGA designation in 2014.

Cam Rolwands passed the UFE – the final exam in the CPA, CA course of studies. He will complete his experience requirements this coming spring.

Congratulations also go out to Rick Town of our Wealth Management group. Rick achieved his 15 years of service award in 2013. He started with W&U in May of 1998.

Randy Anderson is celebrating 25 years of service, having started with our Consulting Group in 1988.

We wish Randy and Rick many more years with us, and thank them for their dedication!

## **Office News, Comings and Goings**

2013 has seen many new faces at Ward & Uptigrove, as we continually hire new staff to keep up with our constant growth.

We welcomed to our business group this fall Cam Ridgway. Cam has relocated to Listowel and beginning his career in public accounting. In January Garrett Boekestyn of London will also join our business group. He will be enrolling in the CPA program.

Long-time employee Mark Nolan left our consulting business in the summer for an opportunity with one of our clients. We have welcomed in his place Jake Heibein, a native of the Listowel area. Jake brings with him several years of experience in computerized bookkeeping. He has recently completed his Business Vision certification, is a Quickbooks Pro Advisor and has his Simply Accounting certification.

As is usual, we will have two Co-operative education students for the upcoming tax season. Reid Tarbush of Listowel will be joining us for his first co-op term, and Brody Tucker of Listowel is returning for a second term.

Peter Dykstra and John Collins in our business group have both moved on to other opportunities and we wish them the best.

We said goodbye to Don Dietrich after 15 years. Don had been responsible for the maintenance of our facility and has happily settled into retirement.

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

### Partners:

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

### Retired Partners:

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

### Staff:

Randy Anderson  
Don Annett  
Brad Bakker, CPA, CA  
Dan Benbow  
Tracy Bender  
Melanie Berfelz  
Tim Bridge, CPA, CA  
Sherri Buchanan  
Shirley Buchanan  
Murray Coghlin  
Rita Cole, CGA  
Mark Cranbury, CMA  
Nick d'Halluin  
Sharlene Dowdall, CGA  
Kat Dreyer  
Barb Driscoll  
Chris Ferris  
Shayna Gibson  
Valerie Gillespie  
Mary Ann Grobbink  
Becky Harding  
Jake Heibein  
Ruth Helmka

### Principals:

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

### W&U Human Resources:

Ben Cornell, CPA, CA, CHRP  
Deborah Good, CHRP  
Lindsay Hunsberger, PCP  
Carrie Sharpin, CHRP

### W&U Wealth Management

Mich Landry, CMA, CFP  
Rick Town  
Terry Merkley  
Jackie Landman  
LeeAnn Tucker  
Brenda Bulmer

Annette Hoiting  
Julie Jeffray  
Irene Keunen  
Cheryl Laffin  
Debbie Loree  
Jennifer MacDonald  
Robyn MacEwen, CGA  
Alicia McDonald, CPA, CA  
Curtis McLaughlin  
Rebecca Newbigging  
Dianne Nonkes  
Chris Pooley  
Cam Ridgway  
Cam Rowlands  
Kerri Schuettel  
Luke Simpson  
Brenda Sippel  
Jon Soltys, CPA, CA  
Jill Vander Weir  
Michael Van Niekerk  
Steven Van Meeteren  
Mike Weber, CPA, CA

