Eight critical questions every small business owner should answer

Though most owners of a small business know the details of their operation inside and out, backwards and forwards, not all of them are aware of the tax, retirement and estate planning strategies available to them. These strategies can potentially minimize your personal and corporate taxes, increase your retirement income, provide an effective succession plan for your business and enhance your estate.

However, every small business owner is different. As a result, a particular tax or retirement income planning strategy that may work for another business owner may not necessarily be appropriate for you. To start determining those strategies that may be appropriate, you should answer the following eight questions:

QUESTION #1: HAVE YOU INCORPORATED YOUR BUSINESS?

If you haven't already done so, ask me to send a copy of our report "Incorporate or Not?" to you. This report illustrates the pros and cons of incorporating your business. Also speak to me about strategies to protect your personal assets from creditors whether you are incorporated or not. If you have not incorporated, then ask me about a strategy to convert your non tax-deductible personal debt like your mortgage into a tax-deductible business loan.

QUESTION#2: HAVE YOU DISCUSSED TAX MINIMIZATION STRATEGIES WITH YOUR TAX ADVISOR?

If not, you will want to read our "Tax Planning Checklist for the Owner Manager." This brief checklist of common tax strategies may help you to reduce or defer your personal and/or business income taxes. You and your tax advisor can then determine which of these strategies, if any, are beneficial for you from a cost/benefit standpoint. Also speak to me about tax-effective solutions to structure a group employee benefit plan (prescription drug, dental, etc.) that will enhance your ability to attract and retain high quality employees.

QUESTION #3: DO YOU HAVE EXCESS CASH IN YOUR CORPORATION OR DO YOU HAVE AN INVESTMENT HOLDING COMPANY?

If so, the article "Surplus Cash in a Corporation" might be of interest to you as it provides a decision tree for you on how best to use the excess cash in your corporation to help meet your business and personal goals. If you have an investment holding company, then ask me for a copy of the RBC

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Dominion Securities "Investment Holding Company" publication. You might also want to ask me about strategies to enhance the value of your estate for your family and at the same time earn tax-free investment income on the excess cash in your corporation.

QUESTION #4: WHAT WOULD HAPPEN TO YOUR FAMILY AND YOUR BUSINESS IF YOU DIED OR BECAME DISABLED TODAY?

Speak to me about strategies and solutions on how you can protect your business should you become disabled or provide your family with an adequate estate in the event of your passing.

QUESTION #5: DO YOU HAVE ENOUGH ASSETS TO MEET YOUR RETIREMENT INCOME NEEDS?

If you don't know, give me a call and I'll arrange to have either a COMPASS or Horizons Financial Plan prepared for you. For clients who qualify for this service, COMPASS is a comprehensive financial plan that will determine if you will have adequate assets and income to meet your retirement and estate planning goals and provide you with recommendations in the areas of tax, investment and estate planning. Alternatively, a Horizons plan can be prepared that will provide you with a "snapshot" that can help you determine if you will be able to achieve your retirement goals given your current investor profile.

QUESTION #6: ARE YOU AWARE OF OPPORTUNITIES TO INCREASE RETIREMENT INCOME AND REDUCE CORPORATE TAX?

As an owner of a corporation, you have several innovative strategies available to you that can help you to not only reduce or defer corporate income tax but also enhance your income in retirement, including:

- Individual Pension Plans
- Insured Retirement Plans
- Retirement Compensation Arrangements
- Corporate Insured Annuities

Each of these strategies has its advantages and disadvantages. Contact me for more information.

QUESTION #7: DO YOU PLAN ON SELLING YOUR BUSINESS TO SOMEONE OUTSIDE YOUR FAMILY?

If so, ask me a copy of our "Selling the Business Checklist" to learn about strategies on minimizing the tax on the upcoming sale of your business.

QUESTION#8: DO YOU PLAN ON PASSING YOUR BUSINESS TO AT LEAST ONE OF YOUR CHILDREN?

If so, ask me for copies of our Business Succession Planning articles which discusses strategies to maximize the value of your business for you and your family while maintaining family harmony.

If it's not already part of your business plan, hopefully the above eight questions will have made you start thinking about the importance of adequate tax and estate planning for you and your business. By going through these eight questions, you can start developing a solid financial plan integrating both your personal and business affairs.

Keep in mind that before you pursue any of the strategies discussed, it is wise to discuss them with a qualified legal and/or tax advisor to determine if they are appropriate for you. If you don't have a qualified legal or tax advisor, contact me today and I can refer you to one.

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