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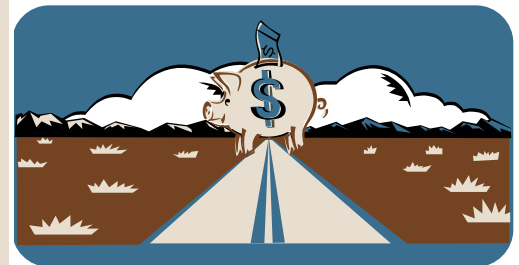
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# Pension Splitting

**M**any seniors face challenges in planning and managing their retirement income. If you or members of your family receive pension income, the pension splitting income rules may be good news.



Beginning for the 2007 taxation year, Canadian residents who receive income that qualifies for the existing pension income tax credit will be permitted to allocate up to one-half of that income to their resident spouse (or common-law partner).

The amount allocated is deducted when determining the net income of the person who actually received the pension income, and it is included in computing the net income of the spouse or common-law partner. Since, in many cases, this will increase the transferee's tax payable, a joint election must be included in their tax returns for the year in question.

### What is Income Splitting?

The term "income splitting" refers to strategies for shifting income from a higher tax bracket family member to a family member in a lower tax bracket. The resulting savings in tax provide a higher level of after-tax income for the family member with the lower income. Generally, the federal government has a number of "attribution" rules to prevent the tax-advantaged shifting of assets; however, this recent amendment could

provide tax relief for seniors, particularly those whose only source of income during retirement is pensions.

### What is Eligible Pension Income?

Under the new rules, eligible pension income generally includes the following amounts received by the pensioner in the year (these amounts also qualify for the pension income tax credit):

- Annuity payments from a superannuation or pension fund or plan; and
- If received as a result of the death of a spouse or common-law partner, or if the pensioner is age 65 or older at the end of the year:
  - Annuity and Registered Retirement Income Fund (RRIF) (including Life Income Fund) payments; and
  - Registered Retirement Savings Plan (RRSP) annuity payments.

### **How does Pension Income Splitting Work?**

Here are a few general highlights of these amendments:

- Married and common-law partners are permitted to pension split provided that they are residents of Canada and living together at the end of the year. The rules still apply if a couple is not living together at the end of the year because of medical, educational or business reasons. If the couple is married in the year or one of them dies in the year, pension splitting is only available for the period they were together in the year.
- There is no age restriction for the spouse or common-law partner who receives the income allocation. However, the income received by the individual who is under the age of 65 will not be eligible for the pension income tax credit unless it was pension income or certain RRSP or RRIF payments received as a consequence of the death of a spouse. If the transferee spouse is over age 65, all of the income will be eligible for the pension income tax credit (to a maximum of \$2,000). This means that some couples may receive a second pension income tax credit where previously only one was available.
- For individuals under 65 years of age, the major type of qualifying income that can be allocated to a spouse or common-law partner is income from a pension from a registered pension plan (RPP). RPPs are pension plans for employees sponsored by employers or unions and usually funded through contributions by both employees and employers.
- Some types of income that you consider to be pension income do not qualify for the pension income credit. For example, Old Age Security payments, Canada or Québec Pension Plan payments and payments from certain supplemental retirement compensations arrangements (RCAs) do not qualify.
- While the ability to split income may impact the tax return for the spouse or partner, the individual registered with the pension plan will still receive the pension payments.

- Benefits and tax credits that are calculated based on the total of the net incomes of both spouses (or common-law partners) — such as the GST/HST credit, Canada Child Tax Benefit, and related provincial or territorial benefits — will not change as a result of pension splitting.
- Any tax credits and benefits that are calculated using one individual's net income, such as the age amount, the spouse or common-law partner amount, medical expenses and the repayment of Old Age Security benefits, will be affected. In addition, splitting pension income could mean higher Old Age Security entitlements for some couples.
- Individuals that split pension income with their spouse must also split the income tax withheld at the source in proportion to the split of the pension income.
- The election to pension split is an annual election. The decision to pension split is made each year based on your circumstances for that year.

### **Tax Instalments**

If you are required to pay tax by instalments, the CRA issues instalment reminders indicating the amounts to be paid by each instalment due date. However, as an alternative to paying the amounts shown on the reminders, instalment payments can be made based on either the individual's prior-year net tax owing and CPP payable, or his or her estimated current year net tax owing and CPP payable. If you are eligible for pension splitting, your current year's tax liability may be lower and, therefore, you can reduce your instalments.

### **Talk to Your Chartered Accountant**

The election to split income must be made using a prescribed form accompanying income tax returns for 2007 and following years. The form will be available beginning in January 2008. Be sure to consult with your chartered accountant to determine whether pension splitting could result in tax savings for you and your spouse or senior members of your family. Also discuss the possibility of reducing your tax instalments. ■

# More for Your Advertising Dollars

If you want to build sales, it is almost certain that you need to advertise. But like many owner/managers, you may find there's a wide gap between what you would like to invest in advertising and what you can actually afford.



Advertising is an investment. It pays to research the vast number of advertising options available and choose those that are the most cost-effective for reaching your target customers. This article discusses some advertising methods that are within the budget of most small businesses.

## Newspapers

Newspapers are the most inexpensive and commonly used advertising for small businesses with small marketing budgets. Because newspapers are generally printed daily, you can run a series of ads or change the ad for short-term special offers. Including a discount coupon can help you determine how many people responded to your ad. In smaller communities, inserts such as flyers, sample packs or even mini-CDs can also help you reach your potential customers.

## Magazines

While advertisements are significantly more expensive to place than in other print media, magazines are targeted to specific reader demographics. Magazines also have a longer shelf life, so people may read them more than once as well as share them with other people. These ads require advance planning as the final artwork is often required two or more months before the publication date and there is no opportunity for last-minute changes.

## Advertorials

An advertorial is an advertisement that is designed to look like a news story about the owners, product or service and the company. Pictures of products or staff members are often included. Regional newspaper readers love these pieces as they reflect favourably on local businesses.

## Yearbooks and Community Events

Ads in yearbooks and event programs are particularly effective in smaller communities as they demonstrate your support. Advertising in a local soccer, baseball, or hockey program will help create top-of-mind awareness of your company and brand your business.

## Business Cards

Business cards are so common that sometimes entrepreneurs take them for granted. Make your business card an effective marketing tool by including information about your products and services, but keep it the standard size. At a minimum your card should list your name, your company's name, your contact information, and something that gives the recipient an idea what your company does. Consider adding a map to your location or more details about your products or services on the back of the card.

## Flyers and Circulars

Distributing flyers by hand or through a service can be done at a relatively low cost. The advantage is these can be very targeted. While this type of advertising is usually limited to the retail sector, other types of business can benefit from this approach. Make sure you include your company's name, address, telephone and fax numbers, website address and a small map of your location. To reduce printing costs, opt for double-sided printing.

## Piggyback Flyers

Include brochures or flyers with your invoices and statements. These are particularly effective for giving customers advance notice of specials or announcing new products or services. Include product or service information, pricing, discounts and an order form and direct contact information. These not only increase the possibility of sales with little or no additional mailing costs, but also may provide an indicator as to whether the product line or service will be in demand.

## Signage

Billboards, bus ads, even an advertisement on your company vehicle can be quite effective. Make sure the signage for your company clearly identifies your business, marks its location and conveys the right image. But most importantly, it should communicate what it is you are selling.

## Websites

Today's customers expect a business to have a website – it suggests legitimacy. A website lets your customers look up the information they need, when they need it. You do not have to spend a great deal of money to have a web presence but it is important to have a website that achieves your goals and objectives.

Make sure your website describes the product or service you offer and includes product images with specifications & prices, the location of your business, special offers and contact information – email, phone and fax. A “contact” link on your website lets customers contact you directly by email. You can also reduce your printing costs by posting electronic versions of catalogues, brochures and mailings on your site.

Be sure to include your website address on your business cards, letterhead, yellow pages and other advertising media.

## Radio and Television

Radio and television ads are very effective as you can clearly target your audience by airing your commercial

during specific programming. National TV advertising is beyond a small business' price range, but advertising on local radio stations and on cable television may be affordable. Contact the sales managers at the local TV and radio stations. Also talk to other businesspeople in your area about their experiences with broadcast advertising.

## Consistency Matters

Make sure the name of your business, your logo, company colours, catch phrase, etc., are consistent on your signage, letterhead, business cards, print ads, sales collateral and your website.

Spending too much on advertising is wasteful, but spending too little can mean lost sales and lowered visibility. Develop a realistic budget and investigate your options carefully to ensure you reach your target customer. Generally the amount of advertising that you place in each advertising medium should be based on past experience, industry practice and ideas from media specialists. Be sure to keep an eye on the sort of media your competitors use. That is most likely where your potential customers look and listen. ■

## MONEYSAVER

# Office Safety

**W**hile safety in the workplace quickly brings to mind warehouses, loading ramps, job sites and similar areas, have you considered the hazards that may be present in your office areas?



Although it is true that working in an office is safer than working in an industrial workplace, there are many potential hazards in office environments that can cause injuries to employees and visitors, such as electrical shocks, trips and falls, cuts, bruises, concussions, sprains and fractures.

### A Checklist for Improving Office Safety

The following provides a basic checklist that you can customize to create a work-specific office safety checklist for minimizing the risk of accidents and injuries for your employees and visitors.

#### Walkways

- ❑ Aisles are clearly established, especially in storage areas, and no less than 22 inches wide.

- ❑ Aisles are clear and no tripping hazards are present such as boxes or briefcases.
- ❑ Employees close desk drawers, filing cabinets and wall cabinet doors to prevent someone walking into these.
- ❑ Carpets and rugs are secured to prevent slipping. Floors are even and there are no cracks.
- ❑ Mats are placed both inside and outside the entrances to prevent slippery floors.
- ❑ Glass paneling on interior doors is safety or tempered glass. Large expanses of glass are clearly marked to prevent people from walking into them.

### **Electrical Hazards**

- ❑ Computer cables, extension cords, telephone lines and printer cables are bundled and secured to desks or walls.
- ❑ Wall outlet covers are in place to prevent accidental exposure to electrical wiring.
- ❑ All extension cords are 3-wire type and in good condition.
- ❑ Only one extension cord is used. Extension cords are not plugged into one another.
- ❑ Power cords that are damaged in any way are replaced. Wires or extension cords are not running under rugs, through doorways or placed in other traffic areas.
- ❑ Multiple outlet strips are equipped with overload protection (such as a circuit breaker).

### **Office Equipment**

- ❑ Storage cabinets, bookcases and file cabinets are secured to the wall to prevent tipping. Brackets are heavy duty, particularly for heavy cabinets.
- ❑ Employees open only one drawer at a time to prevent the cabinet from tipping over.
- ❑ File drawers are closed when not in use.
- ❑ Equipment, books, filing boxes are not piled on top of cabinets.
- ❑ Step stools are available where needed.
- ❑ Chairs are in good condition and can be adjusted for the individual's comfort.
- ❑ The paper cutter is equipped with a guard.

### **Working Environment**

- ❑ Ventilation in photocopying and supply rooms is adequate.
- ❑ Adequate lighting is in place in work areas (including emergency lighting).
- ❑ Stairways, corridors and storage areas are well lit so that individuals can adequately see the steps and walkways.

- ❑ Storage in stairways, corridors and hallways is prohibited.
- ❑ No storage is within 18 inches of sprinkler heads.
- ❑ Lunchroom housekeeping rules set out the proper use of equipment and responsibilities of users to keep the area clean.
- ❑ All food left in the refrigerator at the end of the week is thrown in the garbage and the refrigerator is cleaned.
- ❑ A first aid kit is centrally located and clearly labeled.
- ❑ Individuals perform safety inspections in their areas of responsibility on a regular basis and report deficiencies.
- ❑ Fire extinguishers are inspected monthly.

### **Your Workplace Safety and Health Program**

Safety and health is fundamental to effective planning and operations. Take time to research the many resources and training materials available online that can support your workplace safety and health program, such as the websites of the federal and provincial governments, workers' compensation boards, local fire services and business associations.

Update your workplace safety and health program to ensure it provides a systematic way to:

- Identify and control hazards;
- Respond to emergencies; and
- Communicate responsibilities, resources and procedures for keeping the workplace safe and healthy.

### **Make Safety Everyone's Responsibility**

Studies show that an effective safety and health program reduces injuries and illnesses and enhances productivity. Keep in mind, though, that it is how well management implements and manages the program that will determine its success. ■

# The Voice Mail Barrier

**Y**ou have just returned from a successful trade show or conference and have accumulated a stack of business cards from attendees who expressed a high level of interest in your company's products or services.



A number of people even asked you to call them to arrange a meeting to learn more about what you have to offer. But when you follow up by calling these "hot prospects", you repeatedly reach voice mail. You leave a message but the very people who expressed interest when you met are not responding. You call again, again and again and are still unable to make personal contact. How can you have a live conversation if you repeatedly reach voice mail?

## Strategies for Connecting

Customer development efforts in the age of voice mail can be frustrating. How do you break through the voice mail barrier? One strategy is to call during off-hours, either early in the morning or later at night, since some people forward their outside calls to voice mail during regular office hours.

But if you still do not connect, should you keep calling in hopes of reaching the person or continue leaving voice mail messages? Consider doing both. But to avoid being perceived as a voice mail "spammer", do not leave more than two voice mail messages in a week. Then wait a month or so before trying again.

Sometimes it is helpful to transfer to the receptionist. That way you can often verify whether the person you are trying to reach is away on business or vacation and find out when he or she is expected back in the office.

## Plan Your Message

Choose your words carefully when leaving a voice mail message. Stress how much you would like to speak with them and that you will not take up much of their valuable time when they return your call. In follow-up calls, be careful not to embarrass a prospect for not returning your calls.

Think about your message in terms of an advertising commercial. Include an interesting fact about the products or services you offer and the benefits.

Keep it brief — a long voice mail may be deleted before the person listens to the entire message.

Is there a connection between you and the person you are calling? If so, mention that in your message. You may have a mutual colleague, belong to the same business association, or have found helpful follow-up information after the conference you both attended. Or if the person has written an article or spoken at an event you have attended, mention this and compliment their efforts. People like to be noticed.

Overall, make sure that whenever you leave a voice mail message, your tone is warm, friendly and upbeat and your message is interesting and pleasant.

## If at First

If you have called, left messages, and still can't get through to the person, send an email. Many people will reply quickly. If you can interest the person in what you have to offer, they may be willing to set up a phone appointment, or better still, a face-to-face meeting, to find out more. If you don't have the person's email address, look on the company's website or ask the receptionist.

Should you ever stop trying to break through the voice mail barrier? That depends on the value of the prospect's potential business. A small business opportunity may only be worth a few calls, but a large one would certainly require many more. Those who have devoted a large amount of time to client development often have stories about prospects who finally say yes after dozens of telephone calls and several months of relationship building. If the potential is there, keep at it. ■

BUSINESS MATTERS deals with a number of complex issues in a concise manner; it is recommended that accounting, legal or other appropriate professional advice should be sought before acting upon any of the information contained therein.

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