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PENSIONS

Freedom 65 or is it 70?

New CPP rules affect employees over 60.

In 2009, important changes were made that affect contributions and pension benefits for the five-year period 2011 to 2016. The purpose of these changes is to adjust benefits actuarially according to whether a person chooses to take those benefits before or after age 65.



Today

Under current legislation, individuals already receiving CPP benefits, and those who have deferred receiving benefits but have reached the age of 70, do not make CPP contributions. If benefits are taken before age 65, the amount is reduced by 0.5% per month for each month the pension is taken before the age of 65. For example, a person taking benefits at age 60 would have the benefit amount reduced by 30% (5 years x 12 months x 0.5%). If, however, the person begins taking the benefits sometime between their 65th and 70th birthdays, the amount increases by 0.5% for each month deferred. For example, if a person does not start taking the benefits until age 70, the pension amount increases by 30%

(5 years x 12 months x 0.5%).

Starting in 2011

The following changes will be phased in during the five-year period:

1. The CPP monthly pension amount will *increase* by 0.57% in 2011, 0.64% per month in 2012 and 0.70% in 2013 for each month the person defers taking the pension in the years between 65 and 70. For example, a person who becomes 70 in 2013 or later would enjoy a 42% increase in monthly benefits (5 years x 12 months x 0.70%).
2. Beginning in 2012, the CPP monthly pension amount will *decrease* by a larger percentage if taken *before* age 65. The standard reduction will be 0.52% in 2012 and rise annually until it reaches 0.60% in 2016. Thus, a person reaching age 60 in 2016 who chooses to take the pension then would see the monthly amount reduced by 36% (5 years x 12 months x 0.60%) compared with what would be received if they had waited until age 65.
3. The number of low or zero earnings years automatically dropped from the monthly pension calculation will be increased in the years 2012 and 2014.
4. Effective 2012 employees will no longer have to stop working in order to start receiving their benefits.
5. Employees over 60 but under 65 and receiving benefits while still working will be required to make CPP contributions.
6. Employees 65 to 70 and receiving benefits while still working will be able to choose whether they wish to continue contributing.
7. Self-employed or employed individuals who started to collect their pension, disability or survivor benefits prior to 2011 will not be impacted by the new rules.

Employers are required to match contributions of employees over 65.

The Impact

The impact on employers is not obvious at first blush but there are some interesting considerations that each employer and self-employed individual will have to address when hiring new staff.

All employees who reach the age of 60 but have not yet reached 65 will have to have CPP contributions deducted from their pay. All employers will still have to contribute an equal amount of CPP premium on behalf of the employee.

If an employee is over 65 and opts to continue to pay CPP premiums, the employer will have to match the CPP premium contributions made by the employee.

New Rules Affect Payroll

As can be appreciated, the new rules could have a significant impact on payroll, especially if there are a large number of employees between the ages of 60 and 65 who are already receiving their pension benefits. Under the old rules, the employer was not required to withhold CPP once the employee was taking benefits and therefore was not required to provide any matching contribution. The new rules will mean the employer will have to both withhold and match the contribution. Employers with long-term employees in this age group and making maximum contributions to CPP will have to consider factoring an additional cost into operating budgets. For 2011, the maximum earnings level for contributing is now \$48,300; after deducting the \$3,500 basic exemption, the calculation for the employee's amount at a rate of 4.95 percent works out to \$2,217.60. This is the figure the employer will now have to match for each employee previously exempt from contributing.

If an owner-managed business has 10 employees in this age range, the cash flow requirement amounts to an additional \$44,352 per annum (\$3,696 per month), a figure large enough to have a significant impact on the employer's bottom line.

Self-employed Individuals Will Contribute Twice

Self-employed individuals in the 60-65 age bracket who opted for early CPP benefits will take the same hit as their employed peers. Given the \$48,300 maximum eligible earnings level, individuals filing as self-employed will be required to pay \$4,435.20 per year which represents the individual's share plus the "equivalent of an employer's share". In other words, the self-employed person will in effect contribute for himself as an employee and match himself as an employer. To offset the overall cost to the self-employed, the rules allow for a tax credit on the "equivalent to employer's share" of \$2,217.60. This amounts to 15% of the \$2,217.60 or \$332.64 and reduces the cost of CPP to \$4,102.56.

Naturally, self-employed individuals who hire employees will be subject to the same deduction requirements as incorporated owner-managed businesses.

Employees Over 65 May Defer Benefits

Employees between 65 and 70 may elect not to apply for CPP benefits. Employers are nevertheless required to deduct and match the contribution until the end of the month, before the month the pension becomes payable or the month in which the employee turns 70. To be clear, employers must remit for employees aged 60 to 65. It is the employee's choice to opt out of paying between ages 66 and 70.

Make sure employees understand how changes affect them.

Minimizing the Impact of CPP

It is extremely important for owner-managers and self-employed individuals to be aware of these changes and be compliant. It is also very important to make sure employees understand how the changes affect them.

For small business owners or owner-managers to meet the needs of both the government and your employees, you should review:

- human resources date-of-birth records to ensure employee data is up to date
- payroll records to find all employees between 60 and 65 and modify CPP deductions accordingly
- payroll records to find those employees between 65 and 70 who have already applied for CPP and ensure their files contain a copy of the "award letter" mentioned above
- cash flow requirements to make sure sufficient cash flow is available to meet the additional cash output for the employee and employer share of CPP
- job costing and charge-out rates to ensure profit on contracts is not adversely affected by increased payroll costs

- all software used to calculate CPP deductions to make sure it has been reprogrammed to take into account the changes in contribution requirements under the new legislation. It may be necessary to review each individual or record to ensure the database reflects the necessary deduction.

The Time for Action is Now

On the surface the change to CPP requirements seems innocuous enough. Upon deeper examination, however, the changes will impact the owner-manager significantly by increasing payroll costs, skewing cash flow requirements and adding to the administrative costs of human resources and payroll departments. Forward planning to identify affected employees will reduce the risks of fines and penalties and ensure employees get the full benefits of the CPP when they choose to take them.

TECHNOLOGY

Tablets

Instead of being made of stone, modern tablets are light, portable and can improve your productivity.

Just when laptops had virtually replaced desktop PCs in most office environments, a revolution began in tablet computers, sparked by Apple's iPad. Now, only two years after the original iPad launch, there are close to 20 companies marketing some kind of tablet.



What is a Tablet?

Well, the simplest explanation is that tablets are slate-shaped portable computers that use a touch screen or stylus to operate them. Four broad categories have evolved to describe the many variations on the tablet theme now available to the consumer:

1. A convertible tablet PC is a laptop that incorporates touch screen capabilities. It looks just like a notebook computer except that the screen can be rotated 180 degrees and folded “backwards” over the keyboard in such a way that the screen remains face up.
2. A hybrid tablet PC allows the keyboard to be detached.
3. Booklet-style devices are exactly as they sound, incorporating a dual screen tablet that allows folding like a book.
4. A typical slate-style tablet device incorporates one touch screen and has no keyboard. This is currently the most popular style.

Each of these types is designed to appeal to users with specific needs. Potential buyers looking to move to a tablet format had best understand their computing expectations before making a purchase. With prices ranging from \$250 to \$1,200, purchasers can find a wide variation in capabilities. Thus, anyone thinking of a tablet should try as many demo products as possible to find the right fit for their needs and pocketbook.

One of the first considerations should be the operating system. There are a number of competing operating systems:

Apple iOS

- Leads the market with over 60% market share
- Used on both iPhone and iPad, iOS is optimized for mobile devices
- Accesses a significant library of “apps” for iPhone and iPad to meet nearly every need

Google Android

- Also expanded to include tablets and smartphones
- Supported by an active developer community with a large number of apps available
- Supported by many manufacturers

BlackBerry Tablet OS

- Used on the PlayBook tablet, it is intended to replace the BlackBerry smartphone OS as well on future models
- PlayBook is optimally paired with a BlackBerry smartphone
- An emulator to run Android apps is also set to be released

Microsoft Windows 7

- Runs on desktop and laptop computers as well as tablets
- Larger and more PC-like models may run Windows; can run regular software for Windows
- Supported by many manufacturers

Except for the Windows-based devices, most tablets are not designed to be full computers and are instead optimized for their small-form factor and limited hardware.

The evolution of touch-screen technology may make the need for a physical keyboard redundant in many circumstances. The operating system and most apps are optimized for a gestural interface and support a touch-based on-screen keyboard; however, most devices are capable of supporting a discreet QWERTY keyboard which would be more suitable for heavy office-style use, such as word processing, spreadsheets and creating presentations. Certainly a keyboard attachment is in order if the device is employed primarily as an office computer.

Tablets come in all sizes and varying weights.

Hardware

Tablets come in all sizes ranging from seven inches for a “pocket size” unit to the convertible tablet computer with a 12.1-inch screen. As size increases, so does weight with one seven-inch model weighing in at a mere .45 kg, with others ranging from .60 to 1.8 kg.

Screen resolution varies by manufacturer and operating system, but is generally in the range of 1024x768 (SVGA) or 1280x800. Style of image may be an issue with the smaller units but turning from portrait to landscape mode will satisfy those that require a larger format.

Tablet battery life is of utmost importance. With battery life ranging from 4 to 10 hours, many units may need to be recharged during a typical workday.

Use of slower mobile-optimized CPUs is most likely not an issue as most tablet operating systems are optimized for that form factor. iOS, Android and BlackBerry Tablet OS are only intended to supplement PCs and smart phones by offering something in the “middle.”

Storage capacity could potentially be an issue since flash-based memory is most typically used. Flash memory is more expensive than hard drives. While 64 GB of storage is generally the top of the range for a tablet, laptop computers could feasibly support a 750 GB hard drive and generally start with a minimum of 250 GB.

Compatibility

Because of their size, tablets have forsaken the CD and DVD drives. While this loss can be overcome by transferring data onto a computer then importing or syncing to the tablet, in many cases physical media are no longer required. Apps and music can be purchased online and downloaded to the device. The next version of iOS is set to include a cloud storage feature called iCloud that will automatically synchronize your data to the Internet and other iOS-based devices. The other vendors may have similar innovations planned for their platforms. The move to cloud offsite technology may make the need for traditional storage media unnecessary for many businesses.

All models regardless of manufacturers are capable of handling application software but not all apps can be cross-platform. For instance, a popular application for iOS may not be available on Android, or vice-versa. This is another compatibility issue that should be considered before making the final purchase.

Compatibility with existing office computers is important. Make sure the tablet offers good support for the document formats you use most often. Compatibility with your smart phone may also be a consideration. In addition to compatibility, running the same applications on both devices may save money as you would not need to purchase them twice.

Users of laptops and smart phones probably take for granted all the built-in features manufacturers have provided. To ensure the tablet is able to handle your current and future needs, consider the following features:

- Built-in camera or cameras that allow simultaneous seeing and transmitting
- Bluetooth and Wi-Fi capability

- Ports that handle USB and HDMI connections
- Ambient light sensors
- Speaker and microphone
- GPS capabilities
- Secure disk encryption
- Quick battery replacement

Outlook

The future bodes well for tablets. Researchers have predicted that by 2015, tablets will make up 23 percent of PC sales in the United States. This implies that the tablet will find a significant user base but will not replace the laptop or the desktop as a computer of choice. At present there is significant competition in the operating systems and even more competition in the hardware. Purchasers may wish to consider whether to get an early understanding of existing products and applications or wait until the market pushes forward those tablets and applications that provide the most value for the dollars spent.

MONEYSAVER

Using Email Efficiently

Mismanaged email is mismanaged time.

“Where did the day go?” is undoubtedly one of the most used expressions as 6 p.m. rolls around and owner-managers review the issues that did not get taken care of during the day. The demand on an owner-manager’s time comes from all sides whether government, employees, suppliers or customers. It sometimes seems that the longer you are in business the more demands are made on your time. The solution is not necessarily to work longer hours but rather to use time more efficiently.

One of the best ways to make better use of your time is to reduce the amount of the day spent answering email.



Reduce Personal Email

The working world cannot do without email. Unfortunately, many colleagues and friends use business email to send us pictures, jokes or articles. While many of these may indeed be entertaining, reading them is a huge waste of time. The best way to handle this traffic is not to open them at all and to ask colleagues to limit emails to work-related issues.

Pavlov’s Dog

Don’t respond to every email the moment you hear the “ding.” If you choose to respond, the current task has to be put aside; if you choose to read it but not answer, the time spent

is doubled because you will have to read it again when you respond later. The best way to avoid fragmenting your time is to review email in batches at set times.

Keep Responses Brief

Try to keep your response to three sentences or less. If it requires more, you should probably write an attachment.

When using “RE:” in the subject line, define the issue being addressed. For instance, if the received email is asking whether you can attend a budget meeting, ensure the response indicates exactly what your email is about. State “Attendance at budget meeting” and the contents would be “Cannot attend budget meeting on November 1.” Direct and specific wording prevents assumptions and misunderstandings.

Don’t respond to every email the moment you hear the “ding.”

Define the Topic

Subject lines should be simple and clearly identify the subject of the email. Poorly written subject lines leave the reader guessing what the email is actually about. If a longer email is necessary, it should not be structured like a detective story with the most important information at the end. Instead, put the key idea in the first paragraph and any supporting argument or data in the second and any subsequent paragraph(s).

Spam

Ensure your server can eliminate it before it gets to your inbox.

Filter

Create a “read later” file for things you want to read but are not urgent. If you have online subscriptions, for example, set up a special file and a “white list” that lets in only those subscriptions and keeps everything else out. These items can always be reviewed on break.

Don't Check Your Email First Thing in the Morning

Checking your email when you first begin to work may seem like a great idea. If you already have a busy agenda, however, reading your email can divert you from more important things. If you have the bad luck to open an email that seems urgent, you may not give yourself enough time to consider the subject matter properly.

Use Your Laptop or Desktop for Email

Small keyboards and small screens can make reading, editing or responding to emails and attachments frustrating. Using a smartphone to respond to email enquiries is much more time consuming than using a full-size keyboard and desktop monitor screen.

Direct Messages to Where They're Needed

Some smartphones may include a proprietary email address that is only accessible, or most convenient to access, from the device. For your business email, either don't distribute your device email address, or make sure that all messages are forwarded to your main inbox. Constantly checking your smartphone for messages as well as the other devices is needless duplication of effort.

If your job description requires you to respond immediately, consider setting up a second purpose-specific inbox (e.g., webmaster, emergency support, etc.) or mail rules that direct the important email to the smartphone.

Be Specific

The immediacy of email and texting creates disjointed conversation. It often takes four or five emails or text messages to finalize appointment details. To eliminate this chatter, be specific. Instead of “Meet me for lunch to discuss a project,” say “Take a cab and meet me for lunch at XYZ restaurant on 123 Queen Street at 12:30 p.m. Bring the ABC project file so that we can discuss it.”

Email Metrics

If managing your email saved 10 minutes per day over the course of a 240-day work year, you have found 40 hours, i.e., an entire work week! Not only does controlling communication save time and therefore money, it also keeps you and everybody else focused on the projects at hand.

MANAGEMENT

The Importance of Being Civil

Unpleasant and unacceptable behaviour at work can be very costly.



Incivility in the workplace is serious. The costs of damage control are real in terms of both time and money.

If employees show disrespect for each other, a fragmented and uncooperative culture will soon spring up. Victims of rude behaviour may take more sick days or fall behind in their work because of stress. They do not want to work with the offending individual; a reduction in productivity and increased errors can result.

Employers Have a Duty to Support Civility

The courts have established that employers have a duty to create a workplace conducive to the well being of the employees. In the landmark lawsuit, *Stamos v. Annuity Research & Marketing Services Ltd.*, in which Ms. Stamos was awarded a generous judgement, the judge determined that “an employer’s failure to prevent the harassment of an employee by co-

employees is an obvious breach of this duty, and has been held to be capable of amounting to constructive dismissal.” In other words, it is ultimately up to the employer to defuse any situation that could lead to a breakdown in the social order of the workplace.

Staff may quit because of a tolerated lack of respect. Meetings can be side-tracked by acrimonious behaviour of individuals seeking personal retribution rather than dealing with business issues. Failure to meet deadlines because of personal issues could ultimately lead to difficulties meeting clients’ needs.

The Many Faces of Incivility

Here are just a few of the common forms of unacceptable behaviour:

- No credit for a job well done
- Employees not owning up to their mistakes
- A meeting sabotaged through non-participation
- Domination of a meeting or conversation
- Not sharing responsibilities for maintaining a clean locker room or kitchen
- Causing embarrassment or humiliation to others
- Displays of anger
- Abusive language
- Sullen and petulant withdrawal from the company community
- The silent treatment.

An individual incident may be explained by someone having a bad day; a pattern, however, may be the first signs of a social breakdown within the company.

Client Impact

Rudeness to clients and suppliers can take many forms. With the increase in cultural diversity in the business community, care must be taken not to offend. Rudeness may be something as simple as failure to greet a client or failure to follow up a complaint in a timely manner. The fact that perception is reality to most people means that employees must at all times project politeness and courtesy to anyone who comes into contact with the business. Disrespect will mean an increase in complaints and a decrease in client confidence.

Client comments about disrespectful staff may indicate more than a single problem employee; indeed, it may indicate the corporate culture is changing: orders are down, production time is up, staff sick time is increasing, a hostile tension exists within the office, and you are constantly listening to complaints from department heads.

Addressing the Issue

Combating the insidious impact of internal incivility needs to be planned.

The First Step

Determine what may be considered as incivility within a workplace. Obvious issues such as rudeness, profanity, negative comments concerning other employees, management or other departments may be considered as a base point to open discussion.

The Second Step

Meet with all staff. A general discussion should address the positive benefits of civility. Do not point the finger; instead, stress how a civil working environment will benefit individuals and organization alike.

A more civil working environment will result in **improved**:

- Communications as misunderstandings and arguments are reduced
- Employee cooperation
- Productivity as employees focus on work rather than interpersonal issues
- Attendance and punctuality
- Client confidence in service and product
- Capacity to reach corporate goals or make internal changes
- Management effectiveness as energy spent dealing with personal conflicts is channelled into completing projects
- Understanding between employees with cultural differences.

Management must explain what it expects from employees.

The Third Step

Management defines and explains what they expect employees to do to improve civility. Although these expectations are general in nature, management should encourage all employees to adopt the following:

- Communicate with courtesy and respect
- Adhere to rules and regulations
- Say thank you after assistance
- Offer fellow employees the same encouragement you would want from them
- Congratulate someone on a job well done
- Listen to fellow employees for ideas that can be transferred to the workplace
- Set up a suggestion box, either electronic or paper, for employees' ideas. Don't just collect them; actually review them and discuss them with employees.

Management is Key

Like everything else in the company, civility comes from the top down. Management's first role is to ensure that a culture of civility becomes engrained in all employees.

The concept of civility can be incorporated into performance evaluations. By stressing the individual employee's responsibility for personal and corporate improvement, management reinforces the need for a positive change within the individual.

Management must respect all employees, whether in upper management or on the line. All issues should be addressed quickly: point out any inappropriate activity but make the transgressing employee understand you are willing to listen to their side of the story. Work with the employee to correct the situation. Documenting all meetings will establish whether this was a one-time occurrence or a pattern.

Civility Benefits All Stakeholders

Civility in the workplace will make a better working environment, which in turn will result in happier employees, better service and production, an increase in client confidence, and a more robust bottom line.

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Richard Fulcher, CA – Author; Patricia Adamson, M.A., M.I.St. – CICA Editor.