



Time for an annual review

A solid plan for the new year can ensure your business progression

At this time last year, many people were caught up in the doom and gloom of the failing economy. The major declines in world stock markets had a lot of people in a panic – and it’s hard not to react to that panic. Thankfully for most, it would seem that storm has subsided and we are on the road to recovery.

No matter what is going on in the financial world around us, here are some areas a business owner may want to review on an annual basis:

1. Risk Management – Most businesses rely heavily on key people such as the owner, manager or long-term employees. It’s important to make sure that sufficient insurance or resources are in place to cover the risk of losing these key people due to a long-term disability, a prolonged or critical illness or even premature death. If you have insurance or resources in place, be sure to review them regularly to make sure your solution continues to be adequate.

2. Succession Plan – Most importantly, you need to have one and it needs to be reviewed on a regular basis. Tax rules change, business valuations change and people’s goals change. Succession plans require careful advance planning, so be sure to consult with a certified or registered financial planner as well as an accountant and a lawyer who specialize in succession planning.

3. Shareholders Agreements – If ownership of the business is through several shareholders or a partnership, it’s important to keep the terms of the arrangement well documented and up to date. A shareholder agreement will stipulate the method for valuating the business and set out the terms for buying or selling the shares in the event of death, disability, retirement or even divorce if the shareholders of the business are married. It’s also important to ensure on an ongoing basis that the shareholder agreements are properly funded.

4. Individual Pension Plans – If your business is small or mid-sized, it may not make good financial sense to set up a defined benefit or defined contribution pension plan. Owners can

choose to put in place an Individual Pension Plan for themselves and key employees. These plans allow significantly more tax deductible contributions than the RRSP contribution limit.

5. Group RRSP Plans and Deferred Profit Sharing Plans – If you don’t offer your employees a defined benefit or defined contribution pension plan, consider setting up a Group RRSP to encourage your employees to save for retirement. You may also want to consider a Deferred Profit Sharing Plan to reward employees by having the business contribute for the employees’ retirement.

6. Group Benefits – Setting up a group health and dental plan for your employees can be a key piece to attracting and retaining good employees. Already have a plan? Remember to review it to ensure that the benefits being provided continue to be adequate and that the pricing is competitive.

7. Health Spending Accounts – Health spending accounts can be a great supplement to existing group health and dental plans. A health spending account allows participants to pay for medical procedures as each individual sees fit. It can cover procedures not currently covered under the health insurance plan or top up coverage that is limited under the traditional plan. Both Group Benefits and Health Spending Accounts are a deductible business expense and the benefits are not taxable to the employee.

These are only a few of the items a business owner needs to be aware of and review on a regular basis. Working with a professional financial planner can be a great advantage as they can be the quarterback in designing a team of professionals that have the specific knowledge to keep you focused on what’s likely your most important financial asset, your business.

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