

money MAKERS

Ideas & Tips to Enhance Your Bottom Line

REMUNERATION STRATEGIES TO HELP OWNER-MANAGERS SAVE TAXES AND IMPROVE CASH FLOW

Utilizing tax effective strategies to pay yourself can result in more money for you, both now and in retirement. They can also improve the cash flow in your business.

**REMEMBER
IT'S NOT WHAT
YOU EARN –
IT'S WHAT YOU
KEEP!**

There are several strategies that owner-managers can use when it comes to paying themselves. You can benefit by exploring these strategies and determining which ones are right for you and your business. Three strategies available are:

- a) Pay yourself a bonus. The benefits of this strategy include:
 - A six month deferral of income tax
 - A delay in the personal tax reporting of one calendar year in many cases
 - Obtaining RRSP room that can be used to defer up to \$6,000 a year in taxes for as much as 40 years or more
- b) Pay yourself a dividend. The benefits include:
 - Potential for income splitting to save tax
 - Reduced cost of CPP and EI premiums (particularly in multiple company cases)
 - Reduced withholdings (and installments if done in alternating years)
 - Potential reductions in employee health tax
- c) Establish an employee profit sharing plan. The benefits include:

- Remuneration is not subject to CPP premiums
- Remuneration is not subject to income tax withholdings, although personal installments will eventually be required
- The amount of the remuneration is deductible by the company, provided payment is made anytime within 120 days of the corporation's year-end

There are many factors to consider when choosing the best tax saving strategies for you and your business. The issues are complex and business owners should implement strategies only after consulting with their professional tax advisor.

Wilkinson & Company LLP can help you determine which strategy is appropriate for your situation. To learn more, please call your Client Services Partner.

ATTENTION CLIENTS

The RRSP Contribution Rules Have Changed. The CCRA has new rules to reduce employee income withholdings. Call us for details.

The commentary contained in Money Makers is not intended, nor should it be relied upon, to replace specific professional advice. We recommend that readers consult their professional advisors regarding issues raised in this publication.



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