

# PROSPERITY

Wilkinson & Company's newsletter for our clients and friends

## WILKINSON RESPONDS TO CLIENT FEEDBACK

Last year, Wilkinson & Company surveyed clients to determine their level of satisfaction with our service and to find out how we can improve our service offerings. In this article, we outline the services that clients have told us they want and that they can expect to see us deliver going forward.



by Brian Kehoe, CA, Managing Partner

**“We believe in taking the time to listen to our clients first before determining how we can best help them.”**

Prosperity interviewed Wilkinson & Company LLP's Managing Partner, Brian Kehoe, CA, about what was learned from listening closely to clients over the past year and what response clients can expect from the firm going forward.

**Prosperity:** Brian, can you briefly describe the activities the firm undertook last year to gather information from the firm's clients?

**Brian:** Throughout last year we sought client feedback in a variety of ways. We instituted a client satisfaction survey designed to determine the level of client service satisfaction with our firm and our services and that asked for feedback on the types of services our clients want us to provide. We also sought input from the recipients of our Prosperity newsletter via a reader survey and we hosted several client information seminars that included gathering information by way of client feedback forms.

**Prosperity:** Why did the firm undertake to do this?

**Brian:** Wilkinson & Company has a written operating philosophy that states in part “we believe in taking the time to listen to our clients first before determining how we can best help them.” Our survey activities during 2002 demonstrated these are not just words on a piece of paper.

We want to be sure that we are providing first class, quality service to our clients in a timely manner and take steps to improve where needed. We also want to know what

“We are committed to building relationships for a lifetime and earning the trust of our clients and their families to provide advice and services that help them achieve financial success.”

our clients want in terms of services over and above what we already provide.

**Prosperity:** What level of response did you receive and what did you learn?

**Brian:** I want to take this opportunity on behalf of everyone at the firm to thank all those who responded. We were very gratified to receive a high level of response and to hear that overall, our clients are very satisfied with the quality and timeliness of our service and with the professional knowledge of our partners and staff.

Our clients also provided invaluable feedback as to the services they want us to focus on providing to them as we move forward, over and above the usual accounting services they expect.

Specifically, they told us they want more advice on tax savings strategies and other higher end services such as financial planning and customized wealth management services, advice on wealth building and preservation, retirement, succession and estate planning. In summary, they told us they want us to be “more than just an accounting firm.”

**Prosperity:** What action does the firm plan to take to respond to what was learned?

**Brian:** One action that has already been taken is the formation of Wilkinson Financial Services that we announced in the December issue of this newsletter. Over the past few years, many of our partners have had requests from clients to either manage or assist in selecting their investments and our client surveys served to help confirm what we have been hearing.

We plan on introducing other concepts and ideas and to focus on these in terms of our service offerings. We will provide information about these concepts in upcoming issues of Prosperity.

**Prosperity:** Can you briefly describe the ideas and service offerings to which you refer and that Prosperity readers can expect to hear more about in future issues?

**Brian:** Here are three examples:

1. The development of an Estate Planning Binder as part of the development of a

complete Estate Plan for our clients. This would benefit our clients because:

- a) It will contain an up-to-date list of assets, where they are located, and the income tax cost that will arise on the deemed disposition at death. Aside from allowing us to plan for the minimization of this tax, this document can be invaluable in assisting the executors to administer and ultimately wind up the Estate.
  - b) It will be kept current through an annual review and copies will be retained in our office for safekeeping.
2. The use of individual pension plans and the more complex retirement compensation arrangements that may be appropriate tax shelters for our many entrepreneurial clients. In certain very specific situations, these plans can be used to shelter tax and build wealth for retirement.
  3. Better utilization of both inter vivos and testamentary trusts as both income splitting and asset protection vehicles.

**Prosperity:** It sounds like the firm's clients have a lot to look forward to. How would you summarize the firm's ongoing commitment to its clients?

**Brian:** We are committed to providing first class, high quality and timely service and to being more than “just an accounting firm.” We are committed to building relationships for a lifetime and earning the trust of our clients and their families to provide advice and services that help them achieve financial success. Most importantly, we remain committed to listening to clients and responding proactively to what they tell us.

**Prosperity:** Thank you, Brian. ■

# BEATING THE TAXMAN THIS YEAR

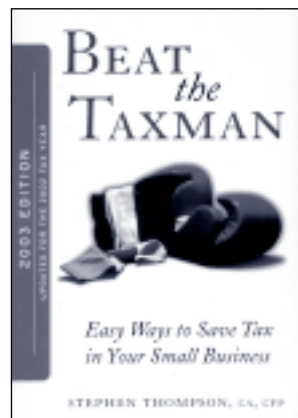
The seventh edition of *Beat the Taxman: Easy Ways to Save Tax in Your Small Business* contains many suggestions to help slash your tax bill for the 2002 taxation year:



by Stephen D. Thompson, CA, CFP  
Tax Partner and member of the Wilkinson Tax Group. Author of the best selling book *Beat the Taxman*, now in its 7th edition.

**Make sure you're not overpaying family EI.** While there are significant tax benefits to paying salaries to family members, many small business owners pay EI premiums on these earnings even though family members would not be able to collect benefits if their jobs were lost. If there is no benefit to paying EI premiums, why not save your business thousands of dollars a year and cut the premiums out?

**Make loan interest tax-deductible.** Although the rules governing what interest is and is not deductible are lengthy and complex, it boils down to a fairly simple rule of thumb: to deduct interest on a loan, the loan has to be for business purposes. Therefore, you should make it a point to pay off non-business loans first, and business loans



*Beat the Taxman*, now in its 7th edition.

“Treating a capital purchase as an expense can cost additional tax, interest and other penalties, and can keep you from fully deducting for the purchase for many years.”

second. For instance, it may be possible to pay off a non-deductible personal loan with funds from your business, and then take out a tax-deductible loan for the business. Ideally, you should be moving toward a model where all loans taken out are for the purpose of earning income.

**Keep track of and deduct those business expenses.** Business expenses are tax-deductible, but many owners do not claim them, either because of poor record keeping, or because owners believe that the CCRA's Reasonable Expectation of Profit (REOP) test will disallow them. Thanks to recent decisions by the Supreme Court of Canada, the deductibility of expenses policy is more favorable than it used to be. It only makes sense to claim all expenses that do not have a personal element.

**Know the difference between capital and expense.** Beyond a doubt, this is a complicated matter, and you should seek the advice of your Wilkinson & Company professional. There are substantial benefits to be reaped by making the correct distinction between capital and expense. Treating a capital purchase as an expense can cost additional tax, interest and other penalties, and can keep you from fully deducting for the purchase for many years.

**Make your life insurance tax-deductible.** Generally speaking, life insurance is not a deductible expense. However, if the life insurance can be arranged so that it provides security for a business loan, the premiums may be deductible. There are (naturally) some additional requirements – the lending institution must be a Canadian bank, trust company, credit union, insurance company or similar corporation, and the interest on the loan must be tax-deductible.

**Incorporate only when there is a benefit to be gained by doing so.** This may sound self-evident, but many business owners incorporate before they should. Under the right circumstances, incorporation can save thousands of dollars a year for a business, but under the wrong circumstances, it not

only costs money but also creates unnecessary paperwork. One simple test to help you decide is this: if you can afford to leave some of the company's profits in the business to invest or pay down debt, and defer the income, then the time may be right for incorporation.

These tax beaters sound simple, but they all add up. The bottom line is that you can benefit substantially from carefully looking at what's deductible and working to maximize your tax-cutting strategies. For more information on how you can Beat the Taxman this year, call your Client Services Partner. ■

## FEDERAL BUDGET NEWS

The recent federal budget announced some favorable developments to help individuals and small business owners save taxes. Personal RRSP limits have been increased from \$13,500 to \$14,500 for 2003 and will increase by another thousand dollars in 2004. Additionally, the amount of taxable income in a business that is taxed at the small business rate has been increased from \$200,000 to \$300,000 phased in over the next four years. ■

# HOW MUCH MONEY WILL YOU NEED TO RETIRE?

by Robert A. Yager,  
CA, CFP, RFP

Client Services  
Partner and Liaison  
Partner to Wilkinson  
Financial Services.



**T**he short answer to the question is: it depends! Many financial planners look for a pat formula, but the real key is a careful and realistic look at what retirement means to you personally. The farther away you are from retirement, the less of an exact science a projection into the future becomes; however, on the positive side, the more time you have to plan for a happy and secure retirement.

## **It's important to plan for your retirement dreams**

Some of us have a very modest idea of what we want from our retirement years. We may want to downsize to a smaller home with

**“A rule of thumb is that you will probably need anywhere from 50% to 75% of your present annual income for retirement.”**

less upkeep, or even to a condo. We may have a hobby that has been winking at us for all these years. It may be something as inexpensive as joining a garden or bridge club, or it may be more grandiose – European vacations or restoring vintage cars.

It's a good idea to estimate the costs that you can foresee in this ideal future. Break your budget down into categories, and try to ascertain what the annual costs will be to achieve your dream. Housing costs ideally will decline or become minimal, provided your mortgage is paid off when you retire. However, if you decide to buy a second vacation home, you will need to consider mortgage, property tax, and upkeep on this acquisition. Income taxes also should be less than at the present, but it is important to include an estimate of other costs, particularly recreation, health care, transportation, and utilities.

Next, you need to estimate the number of years that you will need to cover these costs.

Remember that typically our retirement plans change. The initial part of most people's retirement is generally a time when recreation and travel are more important. People are retiring at a younger age, and they want to have some fun after years of work. After a decade or two, though, most of us generally begin to cocoon. It may be at this stage that the decision is reached to move to an apartment or condominium. Therefore, there may be a difference in expenses between the first and second phase of retirement.

Your Wilkinson Financial Advisor can help to refine these numbers by estimating inflation, the value of your holdings, and the cost of living. The closer your retirement is, the more accurate these projections will likely be.

## **How much money do you plan to leave when you die?**

We've all seen bumper stickers that read, "We're spending our kids' inheritance." Some people are encouraged by their children to enjoy their money while they're alive and not

to worry about leaving an inheritance. For other parents, a legacy is of great importance. Make sure you tell your Wilkinson Financial Advisor candidly what your plans are.

## **How does your financial planner help you calculate your needs?**

Once the projected expenses are estimated and how much, if any, you want to leave as a legacy, your Wilkinson Financial Advisor will take into account inflation and other factors. Then, by looking at your current net worth and your projected income and expenses for the balance of your working years, he or she can calculate how much you will need for your retirement. After doing this, you will be able to decide when it will be possible for you to retire, and what additional earnings you will need to put aside before retirement.

If you are many years away from retirement, remember the law of compounding. The sooner you can begin to save, the more wealth you can build.

A rule of thumb is that you will probably need anywhere from 50% to 75% of your present annual income for retirement.

Having a solid financial plan will give you peace of mind. To learn how much money you will need to retire, call your Wilkinson Client Services Partner today. ■

# RECRUITING DYNAMIC BOARD MEMBERS FOR NOT-FOR-PROFIT ORGANIZATIONS



by **Jennifer Fisher, FCA**  
Client Services Partner  
of the Kingston office.

**T**he board of directors of a not-for-profit organization has a heavy responsibility, making decisions that will have a dramatic, lasting effect on every aspect of the organization's future. Not-for-profit organizations that want to achieve outstanding progress have a defined strategy to recruit outstanding board members. Following are some suggestions in this regard.

## **Be candid about the time commitment**

A crucial requirement for a prospective board member is the availability of time to give to the board. Ironically, the most desirable candidates for board member selection are often those individuals who are already heavily involved in work, community, and other pursuits.

It is therefore a very good idea to make clear to a prospective board member exactly how much time will be required, in order to ensure that he or she is making an informed commitment. If the candidate is not well known to the selection committee, it may even be a wise strategy to involve him or her in some type of committee work first. This will allow the candidate to get to know the organization better, how much time is going to be

required and whether the prospective board member really has it to give.

## **Find out how well the candidate understands the organization**

A second consideration is how well the prospective board member understands the not-for-profit organization. Many candidates may know only one aspect of the overall operation. Even well-intentioned and committed members may serve the first year of their term before they are even close to being fully aware of the whole picture. The more familiarity the prospect has with the organization, the more quickly the board may be able to benefit from his or her participation. The selection committee might want to ask the prospective board member for an opinion on some of the key issues the board has faced over the last few years, in order to assess his or her level of understanding.

## **Determine the level of passion**

A third factor is the degree of commitment that the board member feels for the goals of the organization. Unless the candidate has a passionate and personal connection with the cause of the organization, it is unlikely that he or she will be willing to give the long hours and hard work required.

## **Consider the fit with other board members**

A final consideration is the mix of personalities on the board. In order to create a smoothly functioning board, it is necessary to have a variety of skill-sets and expertise. However, the individuals need to be able, in spite of relative inexperience in working together, to mesh their efforts into a cohesive unit. Again, it is helpful if the new person either knows or has worked with some of the existing board members.

## **Develop the board's skills**

Once the member has been recruited, and the right mix has been achieved on the board, the work has just begun. It is important to realize that the decisions that the board makes will only be as good as the information that they are given. The executive director of the organization will need to provide on-going support and education. Informal activities and retreats may serve to cement friendships and increase the ease of communication, thus helping the board and management work together more effectively.

With more than 75,000 registered charities in Canada, and an average of seven members per board, more than half a million board members are needed. Clearly, knowledgeable and committed people, able to give the substantial amount of time and effort required, are at a premium. Chosen wisely and developed carefully, a board of directors can make an enormous contribution to your not-for-profit organization. ■



## THE FORENSIC FILE AN OUNCE OF PREVENTION

Rob Deacon, CA  
Partner, Forensic Accounting Services Division

Fraud is costly to business. In addition to an estimated six per cent of corporate revenues lost each year, consider the costs of detection and investigation. Lost productivity. Prosecution. Publicity.

How can you *prevent* fraud in your organization? The answer, according to fraud experts Albrecht, Wernz and Williams, is two-fold. First, create a low-fraud environment in your workplace. Second, implement good internal controls.

An environment of low integrity, poor control, loose accountability, and high pressure breeds dishonesty. These are symptoms of a *high-fraud environment*.

To create a *low-fraud environment*, establish a culture of openness, honesty and assistance in your workplace. This can be achieved with five proactive measures:

- Hire honest people, and provide fraud awareness training;
- Create a positive work environment;
- Implement a *Code of Ethics*;
- Provide an *Employee Assistance Program*;
- Outline clear consequences for dishonesty and fraud.

Even with good internal controls, dishonest employees and those under severe pressure may commit fraud.

How do you screen for honesty? Consider using personality tests, or trained interviewers who can recognize deceptive behaviour and know how to probe (legally) for background information.

A thorough reference check may turn up undisclosed difficulties, including: previous unsatisfactory employment; false education information; a criminal record; poor credit rating; physical or mental illness; alcoholism; and uncontrolled temper. Although the authors do not address the perils of potential discrimination, they suggest that people fitting such profiles "generally find it easier to rationalize dishonest acts."

Fraud awareness training lets people know whom to talk to if they witness or suspect fraudulent activity. It can be combined with other employee information such as workplace safety, discrimination policies, substance abuse, and employee assistance programs.

You can build on this communication with an open-door policy, a feature of a positive work environment. Negative conditions, such as lack of job security, contribute to a high fraud environment.

Implementing beneficial personnel and operating policies helps eliminate pressures leading to fraud.

You can further address these pressures by offering *Employee Assistance Programs* for those seeking help with gambling, substance abuse, debt and financial management, health, family, and personal difficulties.

Implementing a *Code of Ethics* also helps to fight fraud. When employees have clear guidelines for behaviour, it helps to reduce rationalizations such as "it's not that serious" and "everyone does it." They understand what conduct will not be tolerated.

### *Red Flags for a High Fraud Environment:*

- inadequate pay
- lack of job security
- lack of recognition
- unreasonable budget expectations
- inadequate expense accounts
- poor promotion opportunities
- high turnover/absenteeism
- perceived inequality
- rivalry
- hostile environment
- low company loyalty
- managers who don't value or model honesty
- management by crisis
- reactive management
- short-term focus
- autocratic management
- unclear organizational responsibilities
- poor training
- poor communication
- managers with impulsive, insensitive, emotional, or dominant personalities

Part of that understanding relates to how fraud is handled, should it occur. Prosecuting fraud is expensive, time consuming and may generate negative press and embarrassment. But failure to prosecute sends exactly the wrong message to employees. Simply being fired does not pose a powerful deterrent; losing a job can be easily explained. The real shame of fraud is being forced to admit the crime to family and friends. Clearly outlining consequences, for example in a *Corporate Fraud Policy*, can reduce your vulnerability.

Taken together, adopting a clear fraud policy, Code of Ethics, and honest employees helps to eliminate rationalizations, which can be a powerful element of fraud. You can knock out another side of the fraud triangle (fraud, rationalization and opportunity) by addressing the personal and financial pressures that lead a person to steal, by creating Employee Assistance Programs and a positive work environment. The final element – effective internal controls to eliminate opportunities for fraud – will be the subject of our next Forensic File. ■

### EDITOR'S NOTE:

This article is reproduced from *Accounting & Claims*, a newsletter published in Canada by the National Association of Forensic Accountants.

### Resources:

W.S. Albrecht, G.W. Wernz & T.L. Williams, *Fraud: Bringing Light to the Dark Side of Business* (Irwin Professional Publishing, 1995)

Bruner-Cox Fraud Detection & Prevention web site:  
[www.brunercox.com/fraudtips.htm](http://www.brunercox.com/fraudtips.htm)

WILKINSON & COMPANY LLP  
GROWING AND ON THE MOVE

## WILKINSON SALUTES OUR CA GRADUATES

The Partners of Wilkinson & Company LLP are proud to announce that three staff members successfully completed the CICA Uniform Final Exams last December, entitling them to use the CA designation.

The successful graduates are Michelle Chatten\*, (Trenton office), Ian Koellner, CA, (Belleville office) and Tim Almeida, CA, (Kingston office).

Wilkinson & Company LLP is committed to continuous investment in professional development and a culture of life-long learning. Our firm has an articling program designed to help its employees succeed in obtaining their CA. This program features, in-house mentoring, considerable time for study, and a generous financial aid package. Details can be found at [www.wilkinson.net](http://www.wilkinson.net) in the section titled "Great Careers Begin Here."

\*entitled to use CA designation upon completion of prescribed work experience.

### Wilkinson Pays Tribute to its Long Serving Employees:

Last December, we celebrated and recognized our long serving employees with Wilkinson Years of Service awards. All staff members with more than five years of service were recognized and 22 people were honoured for their contribution to the firm. We are proud that we have eight staff members who have been with Wilkinson over 20 years and another four who have served more than 15 years!



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[www.wilkinson.net](http://www.wilkinson.net)

### New Employee Announcements

#### TRENTON OFFICE

Ryan Carter has joined the Trenton office as an audit technician. Ryan graduated in December from Wilfrid Laurier University with accounting and economics specializations. A Belleville native, and former high school co-op student with the Belleville office, Ryan is looking forward to beginning his career in the Quinte area.

Also in Trenton, Christine Boron and Bryan Pommery join us as co-op students for the January - April work term. Christine is an accounting student at Brock University and Bryan attends Canadore College where he's completing his second year in the business program. Michelle Greydanus returns for her second work term having just completed her second year in the accounting program at the University of Waterloo.

#### KINGSTON OFFICE

Colleen Lawrie has joined the Kingston office as an audit technician. Colleen has a Bachelor of Business Economics from Brock University and is also a Certified Financial Planner.

Susan Sills has also joined us as an administrative and tax assistant. Susan returns to Wilkinson having been a previous summer and co-op employee in the firm's Belleville office. Susan is a graduate of Sir Sanford Fleming College where she obtained a diploma in accounting.

#### BELLEVILLE OFFICE

James Bond has joined the Belleville office as a CA student. James is from Belleville, where he graduated from Moira Secondary School. He is also a graduate of Loyalist College and the University of Ottawa where he obtained his Baccalaureate in Commerce, (Honours Accounting) degree.

Merideth Sayeau and Jon Tuer return to Belleville office for their second work terms as co-op students. Merideth attends Wilfrid Laurier University in the accounting stream of the Honours BBA program. Jon attends the University of Waterloo where he is in his third year of the five year Biotechnology CA program.

### Belleville Office Supports Belleville Firefighters Toy Drive:

Belleville office completed a very successful toy drive and fundraising event for the Belleville Firefighters Toy Drive. John Stephenson from the Belleville Firefighters, along with a representative from the Community Press, visited Belleville office to pick up the toys and a cheque for \$600. Santa's elves were very busy indeed and we congratulate everyone who participated in this worthy cause. ■