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Business Matters

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MONEY SAVER

Consider 2017

Look beyond revenue for profit growth.

Businesses are already looking toward 2017 and considering what has to be done to keep profits growing. The Canadian economy is expected to grow at only 1.5% according to a prediction by the Conference Board of Canada, which claims that "…there are plenty of headwinds for Canada's economic growth prospects:

- Investment in the oil and gas sector is still falling.
- Non-energy investment is lacklustre, so Canada may soon face lack of capacity in manufacturing.
- Canadian consumer spending may not improve because incomes aren't rising sufficiently.
- Consumers are also stretched thin with debt.
- Growth prospects for the global economy remain poor.
- U.S. growth this year is also tepid."

Preparing for 2017

In a slow-growth environment, the best way to maintain or improve the bottom line is to reduce expenses. Now is the time to look at year-to-date financial figures and establish budget goals for the next fiscal year.

Start with zero-based budgeting.

Consider the Following

Start with zero-based budgeting rather than simply adding a percentage to last year's expensed figures. Every item of revenue and expense in the general ledger is reviewed and the revenue and expense items are justified with realistic assumptions.

1. Consider the possibility of having employees work from their homes in order to:
   - reduce the cost of lease space
   - reduce travel allowances or reimbursement costs
   - reduce in-house cost for utilities, telephones, taxes, maintenance, and interest

1. Consider whether the cloud would reduce computer, printing and communication costs and still enable employees to find data from one source.
2. Purge old documents. Much data older than eight years can be shredded to free up space.
3. Review the age and condition of your work vehicles. Should you buy a new vehicle or spend money on repairs and maintenance?
4. Can some vehicles be sold to reduce the cost of insurance, licences, repairs, maintenance and fuel?
5. Review the budget for snow removal and ground maintenance. Perhaps a flat rate per snow removal would be cheaper than a contract. Could ground maintenance be performed less frequently?
6. Review electricity consumption. Can work schedules be altered to take advantage of lower, off-peak rates? Is it time to update the lighting systems, both in the warehouse and in the yard, to higher-efficiency lighting?
7. Consider whether "just in time" delivery is a better way to manage inventory. Delivery "only as needed" reduces the amount of space devoted to storage and frees up working capital by cutting inventory costs.
8. Examine your lines of credit, credit cards, mortgages and loans. Perhaps interest costs can be reduced, advance payments made, and credit cards paid off with lines of credit at lower interest rates.
9. Determine whether it is necessary to maintain all full-time personnel. Could their jobs be done by part-time employees or contract workers?
10. Evaluate employees on performance and return on investment. Give raises simply based on productivity, quality of work, interaction with clients and staff. Have candid interviews with employees to obtain feedback on how they view their performance.
11. Ask all employees how they would improve their expertise to increase productivity or reduce costs.
12. Examine the time taken to collect receivables. If your company is not receiving payment within 30 to 45 days, perhaps it is time to implement a COD policy for late payers. If a large part of a delinquent client's bill is, for example, machine parts, then perhaps you should have a deposit-for-parts policy in place. Otherwise, your business is acting as a bank for your clients but it is you who is paying your bank or supplier for overdraft or overdue accounts payable.
13. Examine credit card costs. If the cost of collecting credit card payments is excessive, consider switching to a debit card or e-transfer.
14. Going paperless can save funds. Establish a system of filing for incoming email; items received by surface mail should be scanned, filed, and then discarded. Use the Internet to transmit information related to invoices, payroll and payments. Consider e-transfers to clients rather than cheques.
15. Apply the 80/20 rule. Evaluate your customer base and determine the top 20% of your clients. Stratify the remaining 80% and determine which are the most aggravating to deal with. Stop dealing with them and concentrate on the best 20%. Work on improving your relationship with those in the remaining 80% who show promise.

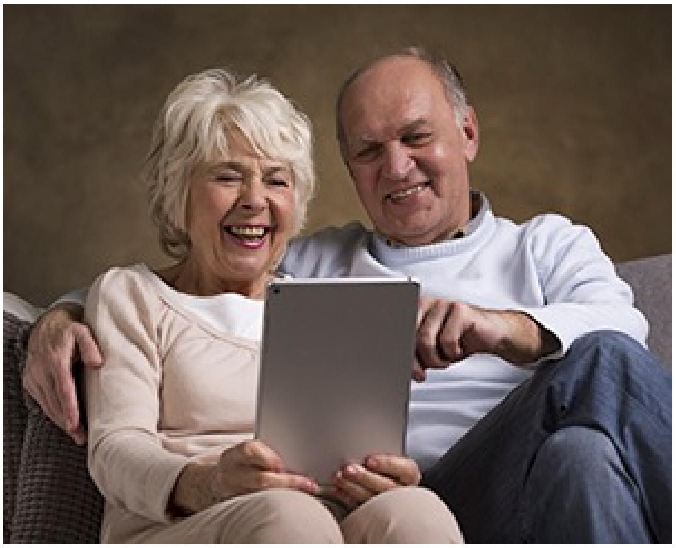
Budget Like a Start-Up

Ensuring a solid continuous bottom line in times of economic uncertainty requires owner-managers to veer away from the traditional budget process. Management must look at all revenue opportunities and expenditures as if their business were still in the start-up phase and justify the figures for the following year on a line-by-line basis. This will give a better understanding of how to build opportunities and reduce costs.

TECHNOLOGY

Technology for Seniors

Innovative software relieves the burden of looking after elderly parents.



Many owner-managers in their thirties and forties or even older not only have to run their businesses but also have to look after growing children as well as aging parents. These owner-managers are part of the so-called "sandwich generation," trying to be successful business people but also caught between two levels of family responsibility. First, they have to cope with the physical and mental exhaustion of the job, then take on the responsibilities of caring for parents who might have reached the "critical-needs" point in their lives. Add to that the potential high costs associated especially with seniors' residences and the time-consuming responsibilities of being power of attorney and it is little wonder the sandwich generation is looking for help. There are, of course, marginally beneficial tax breaks and social programs that assist, but these cannot meet the 24/7 on-call requirements needed by a concerned child of elderly parents.

New Software Available

Innovative software is now providing the means for many seniors to monitor their own activities without making a telephone call to their adult children. Most of these innovations require the seniors to have a properly installed computer or device with access to the Internet. An unlimited Internet service will avoid surprise overage charges.

An abundance of health-tracking software and apps are available to monitor their health, remind them of medications, and even track their nutritional needs. Setting up an easy-to-follow, step-by-step repetitive regime makes them more aware of their health needs and provides an easy tool to permit them to take charge of their own wellness. Caregivers can also use the program to determine whether the parent is following the program or medication set out by health providers.

New software can dispense medication and monitor its use.

Medication Management Software

Medication management systems can remind the user, dispense the medication and alert you, the caregiver, whether medications are being properly administered. The program can be set up to be accessed remotely by the adult caregiver. The base unit is installed in the senior's home and can dispense medication at the proper dosage. Medication is inserted by the caregiver or a pharmacist into the cartridge. As many as 13 medications can be dispensed either singularly or in multiple doses. Within each cartridge is a memory chip that permits the pharmacist to access and enter each customer's medical information when the label is generated. At the predetermined time, the medication is dropped into a cup for the individual to take. The system alerts the caregiver so the caregiver can phone the senior to make sure the medication has been taken. As well as dispensing medication, the system records information on compliance (i.e., how much of each medication is left). This information is accessible by the caregiver through a secure Internet connection.

Monitoring Devices

Smartphones combine the ability to chat back and forth and even face to face through Skype or Facetime so that you can more readily determine their physical state. Apps are also available that monitor the senior's movements and enable you to know where they are at any time. Indeed, you can set geographic boundaries within which you feel the senior should travel, which can be tracked with an on-screen map. Software can be programmed to email you when they exit the area and when they return. Similar systems exist that allow monitoring of text messages and telephone calls to determine whether the senior is being "scammed" by a con-artist. It goes without saying that it would be wise to seek consent before installing such a procedure.

In cases of extreme dementia, monitoring with a smart phone may not work if the individual does not remember to carry the device with them. There are GPS trackers that are embedded in wrist bands, watches or devices that attach to clothing. The latest device embeds a tracker in the shoe that allows you to set the perimeters of travel so that the individual can be tracked once the perimeter is breached.

Medical Alert Systems

Medical alert systems enable elders to live within their own environment knowing that at the push of a button, an operator will respond. These systems are relatively inexpensive, from $28 to $33 per month. Live, two-way communication is provided through "emergency buttons" that can be worn on a belt, as a pendant or on a wrist band. The more sophisticated systems are equipped with waterproof sensors that can detect when an individual may have fallen. If the senior is unable to respond to the call-centre enquiry, the call-centre can immediately contact the caregiver.

Living at Home in Old Age

The insertion of unobtrusive and easy-to-use technology into seniors' regular patterns of daily life allows the sandwich generation to softly interact with the senior(s) in their life while constantly monitoring the elders' degree of need. The instant feedback provides the caregiver with the ability to make decisions to assist a senior who may not remember appointments, bills to pay, medication to take, or even the date of your next visit. Because time and financial resources available from caregivers are limited, any technology that extends an elder's ability to stay within their home and live a happier life not only alleviates their anxiety about leaving the neighbourhood but allows caregivers to monitor and participate in the lives of elderly loved ones without always being on their doorstep.

TAXATION

Corporate Year End

Before choosing a date for your year end, think about the date that works best for your kind of business.

When entrepreneurs incorporate their businesses under their respective provincial articles of incorporation, often, little thought is given to the date for the fiscal year end. Many company founders unconsciously identify the company's fiscal year end with the calendar year end of December 31, and therefore automatically select this date. After the articles of incorporation have been issued, the business may choose any date as year end provided the number of days of the fiscal year do not exceed 371. Conventional wisdom suggests, however, that the last day of the chosen month is the most practical date since most businesses and financial institutions process client data on a month-end basis. Setting the year end date at the end of your chosen month permits an easier cut-off and reconciliation process.

Factors to Consider

Inventory

If, for example, you are a retail business, physically counting inventory during your busiest sales period (i.e., Christmas) would disrupt business, so January 31 would be a good date for your year end. Inventory, as well as the level of in-store activity, will be at their lowest in January when your staff can count, price and value inventory without taking time away from selling. For a service industry such as landscaping, work-in-progress may have to be calculated. It may be best to have a year end such as November 30, after the bulk of the contracts are finished.

Choose a year-end date that works with your accounting cycle.

Accounting

Choosing an arbitrary year end such as December 31, which may not match your accounting cycle, could create issues for your in-house accounting staff as well as your CPA. Internal staff is often overwhelmed with completing year-end procedures for payroll, government reports, and finalizing year-end inventory, not to mention cut off of receivables and payables or budgeting for the coming year. Such stress can lead to errors, increased overtime and frustration.

Also, if your year end is December 31, your CPA may not be as available as you would like because they are consumed by tax planning and tax preparation for individuals and may be in no state of mind to work with staff that is already frustrated by their own year-end requirements. (This is not the best of formulas for getting quality time with your CPA to analyze your financial results.)

Start-up capital

When a business starts up, cash flow difficulties are common, given the need to borrow working capital for start-up costs and capital assets. If, by good fortune, the business does extremely well in its first year and substantial taxable income materializes, a year end set 365 days from the date of incorporation may be advisable. Since there is no requirement to pay monthly or quarterly instalments in the first year of operations, the business gets the maximum tax deferral by setting the first year end as late as possible. A later year end would lessen the actual cash outflow for corporate income tax and provide additional working capital in the start-up period.

The requirement to pay monthly or quarterly instalments begins in the second year, the payment amounts are determined by the taxable income reported in the first year. In case the first year end was shorter than 365 days, the taxable income is normalized to reflect the income had it been for the full 365 days. This may be helpful for seasonal businesses, to set a year end prior to the peak income period because that would not only defer the tax liability of the first year but also reduce the required instalments in the second year. This allows businesses to have more working capital during the start-up phase.

Tax Deferral

Choosing a year end of July or later allows tax deferral of corporate profits. Suppose, for a moment, that the corporate profit is $150,000. Rather than pay the corporate tax on the $150,000, management may decide to pay out the $150,000 in bonuses to various employees of the company. If the bonus is declared for the July 2016 year end but not paid until January of 2017, the income tax expense for the corporation is nil and the tax on the bonuses is not taxed in the hands of the recipient until it is paid in January of 2017. This approach provides working capital for the corporation that otherwise would have gone to the Canada Revenue Agency (CRA).

Changing Your Year End

Your business may have changed over the years so that now there are compelling reasons to change its current year end, such as staffing or administration issues that make it impossible to complete the year-end process in a timely fashion. If, for instance, your business now has a high sales volume or high inventory at the current year-end date, it might be less disruptive to end the year on another date. If you are a subsidiary or highly dependent on another business such as a supplier, there could be administrative and accounting advantages to aligning year ends.

A request to change the year end must be sent to the CRA. Changes can only be made for sound business reasons (i.e., *not* for the purpose of an income tax benefit). A request for a change is not required if:

- the corporation is wound up and the final return is filed with a shorter fiscal year
- the corporation is emigrating to another country, is becoming exempt from tax or will cease to be exempt from tax
- persons or a group of persons acquired control of the corporation under subsection 249(4) of the *Income Tax Act*.

Owner-managers should keep in mind that, if a change in year end is granted, it will be necessary to produce financial statements and tax returns for the shorter period. Further, depending upon your accounting system, there may be additional cost in establishing the new year-end protocols.

Check with Your CPA before Making a Change

Decisions about establishing a year end or changing a year end can be fraught with unforeseen income tax consequences for both the corporation and owner-managers if personal and corporate tax issues are not considered. Entrepreneurs should meet with their CPA to discuss tax consequences; seasoned owner-managers should consider meeting with their CPA if making a change to the business year-end seems to be more and more necessary.

TRADEMARKS

Trademarks for Your Business

Protect your business by registering proprietary names as trademarks.

If you want to protect the unique name of your business, website or domain name, logo, product or service name, or company slogan, you may wish to apply for a trademark.

What Is a Trademark?

According to the Canadian Intellectual Property Office:

"A trademark is a combination of letters, words, sounds or designs that distinguishes one company's goods or services from those of others in the marketplace. A trademark is unique. It is important to a company because over time, a trademark comes to stand not only for the actual goods and services you sell, but also for your company's reputation and brand."

There are three types of trademark registrations available to protect your business name:

1. ***A logo trademark:*** protects the design element that identifies the goods or services of a business or an individual. For example, an apple with a bite out of it immediately brings Apple computers to mind. A logo is protected by its unique artistic and layout elements.

   A word trademark: is words used without any artistic design. (The artistic use of words is protected by copyright.) Company names, business names, names of organizations, product names, names of individuals, names of TV and radio shows can be registered. Mazda's "Zoom-Zoom-Zoom" is an identifiable phrase protected by

2. ***If your business name:*** is important as an identifier to your product or service you can protect it by registering. If you do not register your name someone else can use it and force you to change your business name. If such were the case you would have to change everything in your business that contains the words registered by another party. There is no protection offered by placing a (™) beside the name.

3. ***Your Website domain name:*** can also be trademark registered. It should be noted that registering the domain name with an Internet registration authority does not provide any protection or right to use the domain name commercially in Canada.

Registration of a trademark can take 12 to 18 months.

Registration Takes Time

The registration process can take anywhere from 12 to 18 months. But, once you register your trademark, it:

1. is irrefutable proof that the trademark belongs to you
2. provides you with exclusive rights to use the trademark in Canada for 15 years
3. provides comfort that others cannot use a similar confusing trademark
4. allows monitoring of infringements by others
5. allows you to license the trademark and provide a boost to your company brand
6. should be noted that, if you need to protect your trademark in other countries, it will be necessary to register the trademark in each country in which you wish protection

Trademarks are good for 15 years in Canada. The Canadian Intellectual Property Office (the Canadian registry for trademarks) sends a notice when the 15-year period is about to expire. If the renewal application and payment are not received, the trademark is expunged. This means effectively that someone else could adopt your original logo.

Who Knew?

Interestingly, a trademarked name can become so entrenched in our culture that they become generic. For instance the following words are all trademarked but are used in our everyday conversations: Aspirin, Band-Aid, Jeep, Kleenex, Lycra, Popsicle, Taser, Vaseline, Velcro, Zipper.

It May Be Worth Your While

Because of the time, effort, expertise and cost required to register a trademark, owner-managers wishing to register a trademark should seek counsel. The Internet lists organizations willing to assist for a fee.

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