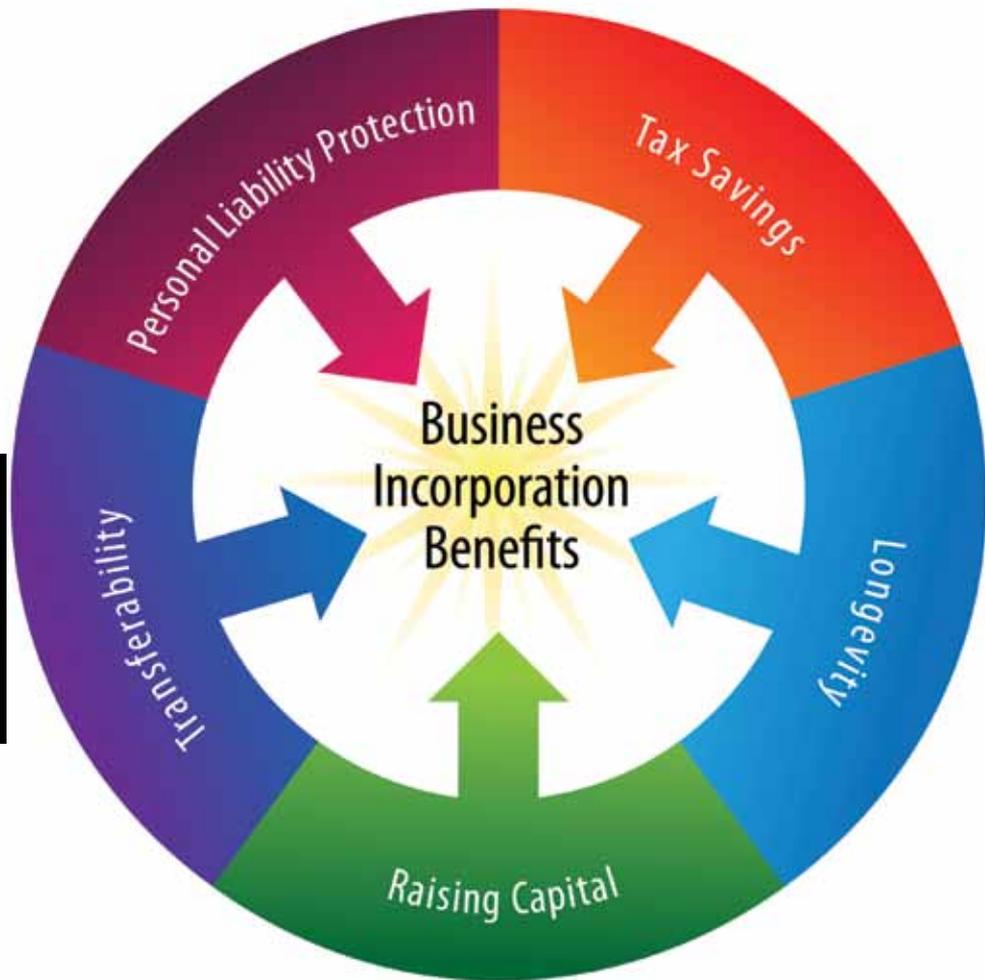




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Q: I always hear that being incorporated would enable me to take advantage of some wealth-building strategies. What are some of these financial strategies I could be taking advantage of?



In my practice, we specialize in helping incorporated business owners ensure they are taking advantage of all the valuable strategies available to them. As an incorporated business owner, there are many ways to increase your wealth while deferring and reducing your taxes significantly. In this issue I will just touch on a few:

PAY YOURSELF DIVIDENDS ONLY

Traditionally, many Canadian small-business owners have been paying themselves a salary, which allows them to make RRSP and CPP contributions. With new tax rules and rates in effect over the past few years, it definitely makes sense to determine if paying yourself (and your spouse or family trust, if applicable) dividends only is more advantageous. Just a few of the advantages may include:

- large tax deferrals—so you pay less tax and have more money to invest
- additional income-splitting opportunities
- elimination of \$4,000 + per year in CPP contributions

INVEST AS A CORPORATION

If you decide to pay yourself with dividends only, then only pay yourself what you need for your annual expenses. All other funds should probably be left in your corporation to invest (in vehicles like mutual funds, stocks and rental properties) as this provides an enormous long-term tax deferral.

PAY FOR HEALTH AND DENTAL EXPENSES IN A TAX-EFFICIENT MANNER

Most business owners pay for their family's health and dental expenses out of their own pocket. A much more attractive option is to open a Private Health Services Plan (PHSP), which allows you to pay for these expenses with pre-tax corporate dollars—a very big savings! If you are incorporated, definitely look into this.

STRUCTURE YOUR LIFE INSURANCE PROPERLY

Time and time again, I see incorporated business owners paying for their life insurance with personal funds instead of structuring them to be owned and paid for by the corporation. Not only can it be more tax efficient to pay these expenses through the corporation, but additional corporate tax sheltering opportunities are also available.

These are just a few of the strategies you may be able to take advantage of. If you are an incorporated business owner, be sure that you have been shown all of the potential tax and wealth-building strategies available to you. As always, I am happy to help—you many contact me with any questions at jswanson@bmf.ca.