

Financial planning for business owners

WANT TO BE RICH? FIND OUT WHAT EVERYONE ELSE IS DOING AND DO THE EXACT OPPOSITE

By Peter Merrick

In the early 1990s, at the beginning of my financial planning career, I was very fortunate to meet one of Canada's most successful businessmen.

He was in his late 50s and had much more life experience than me. He shared that 99.9 per cent of the investment advisors he had met over the course of his career did not have the foggiest idea of how to make money nor did they understand what successful business people were looking for when they sought out professional advice.

He told me that when he took a risk he got paid for it. He could buy a piece of property for a marginal amount, get it rezoned for a shopping mall and then get franchises to sign letters of intent to lease for five years or more when the property was developed.

Once this was done he would go off to the bank and borrow on the future revenue that would be generated from these highly profitable leases to develop his properties and create a residual income.

He knew he could take his own money and make 100 times the amount with 1/10th the risk that any stock broker could offer him and he was right.

Business owners are not looking for financial advisors to give them the life they want by making a killing in the stock market; these people have been able to create the life they want by themselves.

Successful business people want their financial advisors to show them ways to keep their wealth. In essence, successful people want their financial advisors to provide them with financial, tax, succession and estate planning holistic solutions.

They don't need their advisors to sell them products such as stocks, mutual funds and life insurance to achieve their financial success. The point is they are already successful.

Business people are looking for financial professionals who are positioned in the role of wealth manager.

Someone who can see and understand the affluent business owner's big-picture needs by constructing customized strategies to achieve their specific goals of wealth preservation, avoidance of unnecessary tax burdens, creditor protection, wealth accumulation and wealth distribution to themselves, their family, estate and charities.

Successful business owners have an understanding that a financial asset is something that puts money in their pocket, with minimum labor. They understand that a business can buy a car, but a car cannot buy a business! Liabilities are things that take money "out of one's pocket."

For example a home is a liability even though you own the property with no mortgage, you still have to pay property taxes, utilities, and maintenance.

There are numerous advantages available to those who own their own business, who take the risk and have the creativity and fortitude to do something on their own. These

people are compensated for it. As an employee in Canada, one's equation of earning an income goes like this:

- you earn;
- you're taxed;
- then you get to spend what is left over.

When one is a business owner and self-employed in Canada, our government allows you to adopt a much more favorable equation of earning an income:

- you earn;
- you spend, you income split, and you defer bonuses;
- then you are taxed on what is left over!

Business owners are different from the rest of Canadians, if for no other reason the *Income Tax Act* favors people who work for themselves.

The biggest expense we pay in a year is taxes. Reducing taxes is not only morally and ethically right, it is also smart. There are three easy rules that keep your money in your pocket in this country and not in the government's:

- Find the right business structure for your business to pay less tax and protect what you have.
- Learn to make more money by using the tax strategies of the rich such implementing health & welfare trusts, individual pension plans, retirement compensation arrangements, holding companies, charitable donations and estate freezes.
- Pay less tax legally and still sleep at night.

The basis of success with working with a Certified Financial Planner is to have a financial plan. A true financial plan is more than simply buying and selling investments, or collecting "assets" that bring in no cash and are thus more akin to liabilities.

The way most people invest, they might as well be driving in a circle. A true financial plan is mechanical, automatic, and boring. It applies "The Total Financial Planning Process."

Assess

Clarify your present situation by collecting and assess all relevant financial data, such as lists of assets and liabilities, tax returns, records of security transactions, insurance policies, will(s) and pension plan(s).

Prioritize

Decide what you want to achieve by identifying financial and personal goals and objectives. Work with your financial professional to help clarify your financial and personal values and attitudes. These may include selling your business, providing for children's education, supporting elderly parents or relieving immediate financial pressures to help maintain a current lifestyle and provide for retirement. These considerations are important in determining your best financial planning strategy.

Recognize

Identify and recognize financial

problems that can create barriers to reaching your financial goals.

Understand

Understand your choices, your financial professional should provide you with written recommendations and alternative solutions. The length of these recommendations will vary with the complexity of individual situations.

Action

Implement the right strategy to ensure that your goals and objectives are met. A financial plan is only helpful if the recommendations are put into action.

Review

To ensure that your goals are achieved it is very important to have periodic reviews with your Certified Financial Planner and other financial advisors to see if there should be revisions to your plan.

Successful business people in this world look for and build networks of experts to help them achieve their life and financial dreams. The key to managing your financial future is to plan for it.

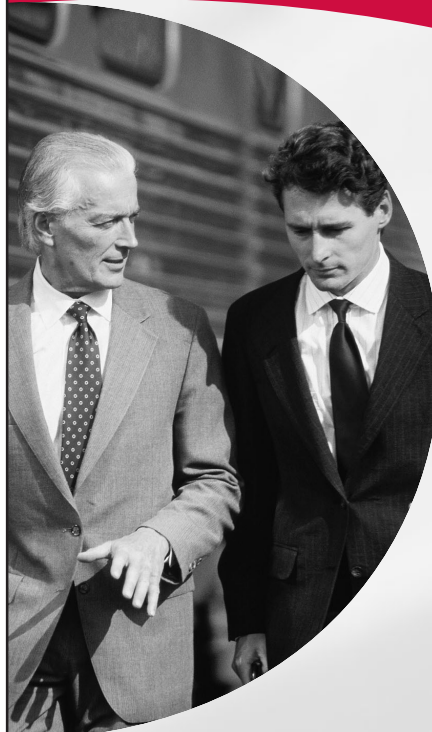
All highly successful people I have every work with had a very clearly defined, written life, career and financial plan. They believed

implicitly and unshakably in their plan and were impervious to external circumstances.

So they didn't alter their plan every time the wind changed direction, and continued to work their plan steadfastly, no matter how long it took, until their plan inevitably succeeded.

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