

# Business Outlook

## Becoming a banker

In their flights of fancy, children usually choose to play "fireman" or "doctor" rather than "loan officer" or "I'll be the manager, you be the customer."

But as young adults a few years later, many will look to the banking industry for career opportunities.

Some of the 165,000 people working in Canada's banking system enter the profession through a summer job as a teller. For others it is a deliberate and well thought-out choice.

People working in the banking industry bring to it many skills in areas including economics, personnel, public affairs, financial analysis and marketing. Banks employ generalists as well as a wide range of specialists, such as accountants, computer programmers, systems analysts and lawyers. On-the-job training is also available for many positions from tellers to branch managers.

Since the principal business of banks is the management of money, this area provides the bulk of career positions within each bank.

Canadian banks are complex corporations, often with extensive multinational operations. The major chartered banks rank among the largest in the world.

Yet the heart of Canadian banking lies in the branch system. This is where most bank employees, including many of the most senior officers, start out.

At the local level, employees include tellers, administration officers, clerk typists, loan officers and managers of various ranks. Large branches have a greater number of assistant officers and managers and tellers.

The beginning bank employee

## Bank cards — use them or abuse them?

Visa and MasterCard are very popular with Canadian consumers. These bank credit cards are issued by most financial institutions to some 14 million Canadians.

And oh, how they are used! In 1985, Canadians merrily ran up more than \$19 billion worth of goods on the little plastic sheets. That's a lot of credit, backed only by signatures and promises to pay. Fortunately, most Canadians are sensible in their use of bank cards. About half of cardholders pay their balances in full during the interest-free period. In effect, Visa and MasterCard are as much a form of convenience as they are an immediate source of short-term credit.

Bank cards are very handy to have around. When the banks are closed, there isn't an automated teller machine in sight and prices are 70 per cent off at your favorite store, "charging it" is a fortunate alternative to "forgetting it." And many people prefer to carry a credit card rather than large amounts of cash.

If a stolen or lost card is reported as soon as it is found to be missing, loss to the cardholder is limited, usually to a maximum of \$50. If cash is lost or stolen, the owner bears the full burden of the loss.

Every transaction made with a bank card shows up on a statement. These monthly statements are a useful record of purchases; some people prefer to use cards so that the record is kept for them.

The cards provide a nearly universal form of identification (espe-

cially for non-drivers) and an immediate indication that the holder is creditworthy. When someone applies for a card, the credit investigation conducted by the banks is of a standard generally accepted by other credit-granting institutions. In other words, if you're a good credit risk for a bank, you're probably a good credit risk for a department store.

For those interested in other forms of credit for business or personal use, responsible handling of a bank card can be an immediate plus to the officer handling your request for a loan.

The key word here is "responsible." Careless use of bank cards has caused grief for too many users. Bank card credit is revolving credit. That means interest on any unpaid balance builds up until the entire balance is paid. Major purchases should not be entered into lightly.

And a warning to abusers who try to run up large bills with no intention of paying — word gets around. A record of credit abuse follows the abuser for many years after the event. In a society where cars and homes are usually purchased with loans, the consequences of an unpaid \$2,000 shopping spree could be far-reaching.

Fortunately, the number of abusers is relatively small. For the average Canadian, the application for a bank card has become just one more step in establishing a sound credit history, and obtaining a welcome aid in the sound management of personal finances.

Handling other people's money is a serious responsibility. Honesty is one of the most sought-after qualities in anyone seeking a career in banking. If you also have a talent for dealing with people, perhaps a career in banking is for you.

(For more information, write for the free booklet "Careers in Banking," The Canadian Bankers' Association, Box 348, 2 First Canadian Place, Toronto Ontario, M5X 1E1).

## Look at after-tax yield

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The final goal in every financial transaction is, needless to say, to make a profit. However, people too often neglect to consider the tax element as one of the key decision-making factors. When embarking on any kind of transaction, it is important to look at the after-tax yield before making the investment decision. As well as considering the investor's tax bracket, one should try to predict how the profit will be treated in terms of income tax.

The basic rule is that profits from the sale of real property are taxable. What remains to be seen is whether the profit will be considered as a capital gain or as business income. The distinction must be drawn between these two types of income, since the former will cost far less in tax terms (it could even be completely exempt) than the latter. The difference between the two varies from 0% to 50%.

It is very important to establish whether the transaction is of a business nature. The profit arising from a non-business transaction will be included

## ACCOUNTING FOR YOUR MONEY

as income at the rate of 50% (capital gain) and can give rise to an exemption of up to \$25,000 for 1986 (\$50,000 in 1987). Depending on the amount of the capital gain, there could be no tax liability whatever. On the other hand, all profits resulting from a business transaction must be included when calculating the business income.

It would be impossible to compile detailed and complete lists of those transactions which give rise to a capital gain, and those of a business nature. But when interpreting the nature of a transaction, Revenue Canada considers various factors, such as the frequency of similar transactions; the intent at the time of the acquisition; and the length of ownership of the property or goods.

Under such criteria, people who 'play' the stock market could be regarded as making commercial transactions, under certain conditions. For example, if stocks were bought and sold at frequent intervals during a single year; if the purchaser acquired stocks with the aim, among others, of reselling them when they had increased sufficiently

in value; and lastly, if the purchaser retained the stocks for only a few weeks before reselling them.

However, it is possible to arrange for the profit made from selling Canadian securities to be taxed as a capital gain. To be sure that Revenue Canada will not be tempted to treat this profit as being of a business nature, a choice or "election" is made, by attaching form T-123 to the tax return. This is an irrevocable choice which remains valid for all subsequent transactions and the form does not therefore have to be produced each year.

Each case is unique, and even a single transaction could be held to be of a business nature. So, before proceeding, you must take into account the type of income which will be generated when calculating the return that you wish to receive.

A Certified General Accountant will be able to help and guide you in your decision.



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