# Retirement planning tips for small business owners

(NC)—Many Canadian small business owners can tell you their business plans without hesitation, but ask them about their plan for retirement and you might just stump them.

Without question, small business owners are devoted to and passionate about their business, but many entrepreneurs are near-sighted about their own retirement plans. Like all Canadians, small business owners must also plan and save for their desired retirement lifestyle, but according to the Canadian Federation of Independent Business 7 in 10 Canadian small business owners are expected to retire within the next 10 years and many of them do not have an adequate retirement and succession plan.

"The first step small business owners must take is to complete an inventory of what their retirement income sources will be, such as RSPs and non-registered investments, or the future equity in their business," says Julie Sheen, vice president, BMO Term Investments. "The second step is to develop a retirement plan with an investment professional who understands the special needs of business owners."

Whether small business owners intend to sell their business or pass it down to their children, an exit plan is an important part of a small business owner's retirement plan.

Contributing regularly to both RSPs and non-registered investments is also critical. Sheen warns that one of the biggest mistakes many business owners make is investing all their disposable income directly back into their business instead of diversifying at least some of it into their own registered or non-registered investment portfolios. If something should negatively impact the business' performance, a lack of diversification could leave nothing for the owner to fall back on.

Retirement planning has less to do with the current age of a business owner than it has to do with making sure they are making good decisions and choices throughout the life of their business so that they can enjoy a secure future in retirement.

Talk to a trusted investment advisor about developing a retirement plan. More information is available online at www.bmo.com.

# 2006 tax changes to keep in mind

(NC)—Last May's federal budget offered up some changes that you will not want to miss when preparing your 2006 tax return. The new $250 Canada Employment Credit will benefit most working Canadians. The credit, which recognizes work-related expenses incurred by employees, will go up to $500 in 2007.

Pensioners will see an increase in the maximum eligible pension income credit from $1,000 to $2,000, while students will find their scholarships and bursaries are now tax exempt.

On your 2006 return you may now also claim the cost of public transit passes for transportation taken after June 30, 2006. The transit passes must have been used by you, your spouse or dependent child under 19 and must display key information (including a duration of a month or more, the name of the transit authority and the rider's name). A dated proof of payment accompanying the pass can make up for missing information.

If you have been receiving monthly cheques from the new Universal Child Care Benefit you will receive a statement of the UCCB payments issued to you for use in completing your income tax return. As allowed by the CRA, UFile tax software will automatically transfer UCCB income you enter into the program to the spouse with the lowest income.

Watch for these valuable tax credits, deductions and income transfers when preparing your return or rely on a quality tax program such as UFile to seek them out automatically. UFile is available as an online program at www.ufile.ca or at Future Shop and Best Buy stores across Canada.

# A little tax credit for your job

By Todd McCallum

(NC)—Having a job can be expensive. But under the Income Tax Act, office clothing, dry cleaning and commuting costs are considered personal expenses.

"This provision has been challenged over the years," explains Cleo Hamel, a senior tax professional at H&R Block Canada (hrblock.ca). "A serviceman tried to claim his bi-weekly haircuts because they were required by his Dress Manual. It was denied."

With the new Federal Budget, employed Canadians can look forward to a little tax relief next year with the Canada Employment Credit designed to off-set some job-related expenses.

"The new credit will apply to any Canadian who is or was employed during the year including students working summer jobs," says Hamel. "It is non-refundable which means it can only reduce your tax payable rather than result in a refund."

The new credit will be fully implemented for 2007. It will be based on the lesser of your employment income and $1,000. The credit is calculated based on the 15.5 per cent non-refundable tax credit rate which can result in tax savings up to $155 depending on how much of the credit you can claim.

For 2006 taxes, the credit will be $250 and will mean about $38 in tax savings. There may be additional savings if the province where you reside offers a matching credit.

"So the new credit may not cover all your job-related expenses however, it will offer a little tax relief," says Hamel. "And it may make you feel a little better the next time you pick up your dry cleaning."

More information is available online or toll-free at 1-800-HRBLOCK.