

Focus

# Business

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## Good value for buck in development plan

While many investors are awaiting market rallies to remove themselves from stock positions they no longer wish to hold, others are seeking conservative equity vehicles that offer good value combined with safety, capital growth potential, and ideally some form of tax break.

One such vehicle that is gaining acceptance among experienced investors who want equity investments but do not want the volatility of the stock market is the Small Business Development Corporation (SBDC).

The SBDC Act was passed by



### Money moxy

Darryl Cailles

the Ontario legislature in 1979 to stimulate investment in certain sectors of the Ontario economy. The Act provides incentives to SBDC investors in the form of a tax-free cash grant to individuals and Ontario tax credits to corporations, equal to either 25 per cent or 30 per cent of the money invested, depending on where in Ontario the Corporation invests.

#### 600 companies listed

Each SBDC must comply with the strict requirements of the Act with regard to eligibility of investments, capital requirements, disposition of investments etc.

There are currently over 600 corporations registered as Small Business Development Corporations in Ontario, with total issued capital in excess of \$335 million.

The best known of the SBDCs is the publicly-owned Granite Group of companies which invest in the tourist sector of the Ontario economy. Granite has interests in resort hotels in the Muskoka Lakes and the Thousand Islands regions of Ontario.

The logic behind investments in resort hotels goes like this: First of all, the company owns the real estate, mortgage-free, and prime income-producing real estate in Ontario has a nice habit of consistently rising in value. Secondly, a recession is not a worry because during a slow down in the economy people don't stop spending, they simply spend more carefully. Rather than vacationing in Europe or the U.S. they may stay a little closer to home. Thirdly, there is the unavoidable fact that the dollar in your pocket has declined roughly 50 per cent in value

against the major world currencies over the past dozen years. That means the trip to Europe is now wildly expensive for Canadians and a vacation in Canada for European or Japanese tourists is a spectacular bargain. The tourism business in Ontario just may be in for a boom period.

#### Good tax break

But what really appeals to many investors is the tax break. On top of the 30 per cent tax-free gift from the Ontario Government, the SBDC shares qualify for RRSP contributions. If your marginal tax rate is 40 per cent for instance, you add this to the initial 30 per cent and the result is an actual out-of-pocket cost of 40 cents on the dollar.

As long as you are comfortable with the investment objectives of the Small Business Development Corporation whose shares you are buying, the tax break simply can't be beat.

Darryl Cailles is an independent investment consultant living in Gormley.

## Firm wins

Images for Industry, a Markham advertising company recently won three awards for its 1987 campaigns.

Image Awards of the Specialty Advertising Association of Canada recognize outstanding creativity in marketing.

Images for Industry won gold medals for campaigns for Honda Canada and Telecom Canada and a bronze award for the campaign of Tuco Products, Division of Upjohn Pharmaceutical.

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