

Bruton Investment Group

Investment &
Wealth Management Advisors



Wealth-Building Tools for Business Owners

Learn about the powerful strategies available to Business Owners which have significant potential to change lives and grow wealth successfully.

Introduction

The B.I.G. Stress-Free Investment and Wealth Management Tools

Our team at National Bank Financial – Wealth Management, Bruton Investment Group, is strongly entrepreneurial. What makes us of exceptional value to business owners is our combined twelve decades of real-world experience in industry, commerce, banking, investment and wealth management. Our deep understanding of the challenges facing business owners makes us a source of trusted advice to our clients.

This article is intended for business owners and aims to provide an overview of the tailored-to-client investment, wealth and business risk management advice our team provides and the stress-free investment and wealth management tools we provide that help grow wealth consistently, tax efficiently and multi-generationally, while reducing risks and stress. This report introduces the tools but we encourage you to speak with us for more info.

We are well acquainted with the major risks business owners take to build successful businesses. They all know there is a big difference between working hard and working smart. Ideally, one should do both.

While hard work is a prerequisite for success, the tools and strategies business owners use together with those we provide make the **work life balance** much easier to handle. These tools allow business owners to invest more time in planning and growing their businesses, accumulating wealth, and enjoying more freedom to do the things they most enjoy and deserve.

More so today than ever, knowing how to use smart strategies and tools efficiently and effectively is both important and critical; it is all about **business survival and the preservation of family wealth** in a very competitive and technologically fast-moving world.

Let's dive in!



Investing and Wealth Management

Investing and wealth management involves putting your capital to work through the acquisition of financial and other assets, and by taking advantage of leverage. **The goal** is to grow wealth by achieving a desirable trade-off between risk and return, i.e. maximize profitability within one's own tolerance for risk. Done well, investing and wealth management provides:

- › A diversified and reliable source of income
- › Tax minimization
- › Liquidity
- › Wealth diversification
- › Overall risk-minimization
- › Steady wealth growth and preservation

The main objective, however, is to ensure that your dreams and those of your loved ones are realized.

Business owners often prioritize re-investing their profits and savings into growing their businesses, but in so doing, they often ignore the significant benefits of also investing in the financial markets through their businesses or in their personal capacities. For one thing, the right investment strategy can provide excellent growth, which is a key part in building wealth. If a portfolio of financial investments is held on the balance sheet of a corporation, it will generate capital gains, dividend and interest income. As an asset of the corporation, it can act as collateral for business loans and provide access to liquidity to address emergencies. Interest on business and investment loans is tax deductible for the corporation.

A portfolio of financial investments held privately by the business owner, either in a **regular investment account** or in a **registered savings plan**, will generate income prior to and during retirement.

If **portfolios of financial investments** are held in regular investment accounts or outside of non-registered savings accounts, they can act as collateral for personal, business and investment loans. Interest on investment and business loans is tax deductible.

If portfolios of financial investments are held inside registered savings accounts (RRSPs, TFSAs, RRIFs and other plans), they cannot act as collateral for personal, business and investment loans, and interest paid on borrowed funds to deposit in registered plans is not tax deductible. In case of the plan holder's death, spousal rollover rules allow for the portfolio in a registered retirement plan to pass onto a spouse free of taxation.

The following are some of the additional features associated to registered savings plans:

- › Deposits made to **Registered Retirement Savings Plans (RRSPs)** and **Spousal RRSPs** are tax deductible. Capital gains and investment income accumulate and compound tax free inside the plans, but withdrawals are taxable at the annuitant's tax rate.
- › Deposits to **Tax-Free Savings Accounts (TFSAs)** are not tax deductible. Capital gains and investment income accumulate and compound tax free inside the plans, and withdrawals are not subject to taxation.

Registered Retirement Plans and Tax-Free Savings Plans among others can materially contribute to building wealth because they help reduce and defer taxes, which keeps more money in your pockets now and in the future.



What if you're a business owner who is re-investing some of your profits back into growing your business? Accumulated profits might also be invested in a portfolio of financial instruments in your Operating Company (OPCO), Holding Company (HOPCO), or Family Trust to diversify the family's assets, and to possibly weather a downturn in the OPCO's core business.

Diversification is like the old adage – “don't put all your eggs in one basket”. You can diversify your wealth, which reduces your risk exposure to adverse events in one area of business. Done right, you can access your investments if you need money, or let it work for you over time to build your wealth – which gives you flexibility.

One of the greatest benefits of expert diversification in a portfolio of financial investments is the excellent way in which wealth is protected and preserved through hedging. For example, a Business Owner foreseeing a shock to the economy like a pandemic can hedge their portfolio by switching investments from asset classes, specific companies and sectors of the economy not expected to benefit from the situation into those with better future prospects.

The regular review and rebalancing of a portfolio of financial investments is one of the most important ways of hedging, minimizing risks and maximizing returns. This should be done regularly for maximum benefit. Use of leverage should also be considered. This is an area where an Investment Advisor can add a lot of value for you.

Hedging is an important tool used by major corporations and sophisticated investors alike.

Tax Optimization

Canadian tax laws provide incentives, tax deductions, tax credits and opportunities for business owners to save on taxes. Taking full legal advantage of these opportunities is something all business owners should consider. Doing so allows business owners to have the means for the company's continued success. In other words, MONEY to:

- › Promote a healthy and rewarding working environment for employees, to make the company attractive as a workplace, to train and offer opportunities for job promotion to ensure long-term service and commitment to the company's future
- › Promote their products and services
- › Finance working capital
- › Acquire the necessary physical space to accommodate its manufacturing facilities, inventories and administrative offices
- › Conduct research into new markets, new and improved offering of products and services
- › Keep computer systems and software updated
- › Keep manufacturing equipment technologically
- › Improve efficiencies and maximize profitability
- › Finance business continuity in the event of the loss of key individuals through illness, retirement or death
- › Ensure all stakeholders receive a fair share of the profits generated.

Reducing taxes is widely recognized as an excellent way to grow business and personal wealth. One of the best ways business owners can do this is by drawing money from their corporations in the most tax effective way. For example, dividends paid from the business to the business owner are subject to lower taxes than other forms of income such as salaries or interest income from loans to the corporation.

It becomes a delicate balance between how much a business owner should collect from the business by way of **salaries** to themselves and to family members employed in the business, how much should be collected by way of **dividends**, by way of **interest income** on personal loans to the corporation, and how much should be left in the corporation as **retained earnings**. This in no way dismisses the importance to the business owner of registered retirement savings plans (e.g. RRSPs), tax-free savings plans (TFSA's), and the tax benefits of **life insurance policies** owned personally or by the business.

We love finding ways to legally minimize taxes for our clients to ensure they keep more of their hard-earned money in their pocket to help grow their businesses, support their families, to pay for the education of their children and grandchildren, to enjoy much-needed holidays, to prepare for retirement, to support charities and other causes dear to them, and to ensure the multi-generational transfer of family wealth to their heirs.

The above list is not exhaustive, but it is meant to underscore the great importance and responsibility of taking full advantage of tax laws to ensure the continued success of a company. A business is not only a source for wealth creation for the business owners, it is of critical importance in providing a livelihood to its employees and their

From the time a business is created or incorporated, **partnership or shareholders agreement** needs to be drawn up to deal with the uniqueness of the relationships of these individuals and their involvement in running the business. Business funding and profit-sharing strategies need to be carefully developed (equity capital and loan capital), as well as **business risk management strategies, business succession/continuity strategies**, and much more. All of these should be carefully and professionally drawn up to address specific purposes and to minimize taxation over the years for the business and its owners.



Depending on their circumstances, business owners may save and defer taxes by leaving money in the company, by paying dividends instead of salaries to themselves and shareholding family members during their working lives and throughout retirement. On the eventual sale of their ownership stake of a privately-owned operating company, business owners may also take advantage of the **Lifetime Capital Gains Exemption**. If several members of the same family are shareholders in the same operating company, the sale of the company may be free of capital gains tax for the family's overall share in the business.

Higher-earning partners can contribute to their spouse's RRSP and deduct that contribution from their own taxable income, reducing their taxes in a higher bracket. This keeps more money in the overall family unit (as opposed to paying more tax unnecessarily).

A powerful tool that may be helpful is the **Retirement Compensation Arrangement (RCA)**. It allows high income earning professionals and business owners the opportunity to significantly increase retirement savings tax efficiently.

Funding an RCA can also be done by means of a tax-exempt life insurance policy, which allows for significant compounding of returns. The benefits of an RCA include:

- › Tax-deductible and tax-deferred contributions
- › Greater contribution room than other registered retirement savings plans
- › Plan member retains their RRSP contribution room
- › The RCA plan is creditor-proof and protected from corporate bankruptcies, sales, and transfers
- › Proceeds can flow to your spouse, children, grandchildren
- › Flexible investment options within the RCA



Another tool of note to build wealth and pay less tax for high-income earning professionals and business owners is the **Individual Pension Plan (IPP)**. Some advantages include:

- › It offers a much higher employer tax-deductible contribution than an RRSP
- › It allows contributions to grow tax-sheltered

While every situation is unique, ultimately the more money a professional or business owner earns, the more valuable these tax strategies become. Taxes are a complex topic and our knowledgeable team of professional Investment and Wealth Management Advisors can guide you through these options and work in close cooperation with your accounting, tax, and legal experts to ensure their successful implementation.

Insurance

Insurance is a powerful tool that can provide risk mitigation, function as an investment, act as collateral for loans, provide liquidity to settle private estate taxes, provide liquidity to buy out a business partner / co-shareholder, keep a business afloat in the event of the loss of a “key person”, and provide tax benefits.

Common misconceptions about insurance include:

- › Someone needs to pass away for insurance to be worthwhile
- › Insurance is a bad investment with low returns
- › I don't need insurance since my family has what they need right now

From the perspective of a business owner, insurance strategies can:

- › Pay for themselves, or even give you more money than you put into it
- › Be an investment that makes sense
- › Create a tax-deductible expense under certain circumstances

Business Succession Planning

If you plan to sell or transfer control of your business for retirement or any other reason, you will need a **Business Succession Plan**. As Investment and Wealth Management Advisors, we are well positioned to help you through the process. You will need the expert advice of your Accountant, Lawyer, and Business Valuator as well.

According to industry research, only 17% of business owners have a formal succession plan. Not having a Business Succession Plan is a major risk to the continuity of your business should you be incapacitated, retire or die. Successful companies view succession planning as an investment, not an expense. The benefits of succession planning and its successful implementation include:

- › Reduce the possibility of business interruption, loss of customers, loss of suppliers, and loss of access to credit
- › Protect the value of the business for the benefit of the business owner and the family
- › Minimize the risk of losing experienced key individuals
- › Contribute to the identification and building up the most-qualified future leaders
- › Reduce the cost associated to the search and development of candidates
- › Create a framework for training and developing core personnel
- › Guarantee security of employment to all
- › Protect a company's reputation and brand
- › Help plan for the long-term



Conclusions

Hopefully this report has increased your awareness of the many tools and options available to business owners. There is a good chance many of these topics apply to your situation, and that these tools can help you reach your goals and help build your wealth significantly.

We know that fully understanding utilizing these tools can be so time-consuming that it is a non-starter for many business owners. This is why it is so important to work with a trusted Investment and Wealth Management Advisor to ensure you getting the full benefit of all your hard work. We make it simple and stress free.

As your trusted Investment and Wealth Management Advisors, you can rely on us to help you with important life decisions, and to help you build wealth stress free over time through the strategic use of the available tools and a comprehensive plan that fits your specific circumstances.



Ready to Make These Powerful Tools Work for You?

We are passionate about helping and empowering business owners. Are you curious to see if these tools can work for you? Are you not making the most of these tools currently?

Contact us for a complimentary one-on-one consultation to discuss your unique situation. You can book a meeting with us at a time that fits your schedule by [clicking here](#).

Meet Our Team



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