Winter 2019

FROM THE DESK OF:

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Upcoming Events:

Business Owners Luncheon – January 31st, 2019 With James Sturdy of CI Investments

Financial Planning for Women and Wine Tasting – Tuesday, February 12th, 2019

Happy New Year!

May this year bring you new happiness, new goals, new achievements and a lot of new inspirations! We wish you a year in which you find peace, balance, contentment and happiness. As you plan for a successful 2019 let us know if this would be a good time to update your financial plan to make sure you are on the right path to your own personal financial well-being.

TOTAL REMUNERATION EXTENDS BEYOND SALARY

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While the old adage says "cash is king," employee benefits are a much-loved form of compensation that should not be overlooked. Whether considering job offer or comparing remuneration packages, total compensation takes into account far more than just salary. Benefits are often the differentiating factor. What is easy to forget is that benefits come with a cost and that cost is typically converted into a dollar value that is reported on a taxpayer's T4 statement. A benefit is a good or service that employers provide to employees, such as a fitness membership at the local gym. Benefits also include an allowance or reimbursement to employees for personal expenses. An allowance, for example, is a sum of money provided to an employee in anticipation of the employee undertaking an activity but the employee is not required to substantiate the cost of that activity. A monthly travel allowance for those who use their vehicle for work-related travel or a meal allowance are examples of an allowance that represents remuneration and are generally required to be reported on the employee's annual T4 statement. There may be circumstances where the employee may be eligible to deduct actual expenses incurred, depending on the circumstances; nonetheless, allowances are typically required to be included in income as a separate requirement from any eligible deductible offsetting expenses. An allowance is typically differentiated from a direct reimbursement of actual costs such as a reasonable mileage reimbursement paid to an employee for tangible documented work-related travel. This could involve reimbursing an employee for driving from the office to a client's worksite when required as part of the employee's duties. The Canada Revenue Agency's (CRA) 2018 reasonable mileage reimbursement is $0.55 per kilometre for the first 5,000 kilometres driven and $0.49 per kilometre driven beyond the first 5,000. Other examples that would generally fall into the taxable benefit category include free or subsidized board or lodging. Employer-paid premiums for group life insurance are a taxable benefit to an employee as are any premiums an employer pays for non-group life insurance or optional dependent life insurance. Examples of a few benefits that are not treated as taxable include subsidized meals where employees pay a reasonable charge. There are specific categories of expenses associated with an employee moving or relocating because of a job transfer that do not give rise to a taxable benefit. A high-profile benefit that does not attract income tax consequences is the payment of premiums by an employer for private health services plans, which are more commonly known as group health/medical and dental plans. Just prior to the 2017 federal budget, there were rumours that the federal government was considering shifting their stance and making employer paid private health plans a taxable benefit. These rumours caused sufficient concern amongst taxpayers who opposed the idea, that the federal government made an announcement that the plans would remain non-taxable. In simple terms, taxable benefits arise when there is an economic benefit to the employee unless there is a specific exception permitted. An example of an exception accepted by the courts is when an employee is the recipient of something but the primary beneficiary is the employer. A recent case, Mark Smith v. The Queen, involved this precise argument. The CRA had assessed a taxable benefit on the taxpayer, Mark Smith, for the value of the parking pass provided to him by his employer. The taxpayer appealed the assessment,

arguing in the Tax Court of Canada, that the parking pass was for the benefit of his employer, not for his own benefit. The facts, as outlined below, were fairly straight forward. • The taxpayer, Mr. Smith, was a flight attendant working for Jazz, a subsidiary of Air Canada. • Jazz provided a connector service for Air Canada, moving passengers between small airports and larger international airports. • Part of Jazz's compensation for its services to Air Canada involved an incentive for on-time performance. The proportion of flights that departed on time was included in the calculation of the incentive paid to Jazz by Air Canada. • Flight crews accounted for the largest proportion of Jazz's costs. • These two variables – the on-time incentive and careful expense control management at Jazz-suggested that the timely arrival of flight attendants when reporting for duty was an important element of the company's financial success. • Flights were typically staffed with the minimum number of attendants. As such, flights could not depart if an attendant failed to arrive for work. To mitigate the impact, the airline would pull an attendant from a later scheduled flight. They would then call one of their on-call attendants who were required to report for duty within two hours of receiving a call. On-call attendants represented about 10 percent of the company's workforce. • The company promoted an on-time culture through the payment of on-time bonuses. • While the flight attendants were not required to have a car as a condition of employment, the company provided parking passes to all flight attendants. Parking passes were commonly provided to employees of other airlines at the same airport. • There was evidence presented that the collective agreement required Jazz to provide parking passes to all flight attendants and that this requirement had been in place for at least 18 years. • The taxpayer confirmed he did not require his car to perform his duties as a flight attendant and that he opted to drive to work rather than use other forms of transportation. He confirmed if his employer did not pay for the parking pass, he would have considered other options. • The taxpayer explained that his employer had a policy that if an employee was late three times, he would be terminated. In analyzing the facts of the case, the judge concluded that there was no evidence to substantiate a correlation between the use of the parking pass and any benefit to Jazz, the taxpayer's employer. While a representative of Jazz suggested the parking pass was valuable to helping ensure flight attendants arrived on-time and therefore contributed to the company's financial success, the judge stated there was no valid evidence to support this conclusion or to quantify the financial impact to Jazz. The court upheld the CRA's assessment. Using a balance of probabilities, the judge found that the primary beneficiary of the parking pass was Mr. Smith as he received an economic benefit from having the parking pass and that it was measurable in economic terms. Taxable benefits can be considered an equalizer as they help ensure that negotiations between an employee and employer cannot easily shift elements of total compensation into non-taxable benefits.

This article was written by Deborah Kraft and Jim Kraft and was published in the 292-2015 issue of COMMENT. Posted with permission from the Financial Advisors Association of Canada (Advocis) and The Institute for Advanced Financial Education.

This commentary is published by The Institute in consultation with an editorial board comprised of recognized authorities in the fields of law, life insurance and estate administration.

Welcome to our newest Team Member – Tammy Shpak. Tammy joins our team with a strong administrative background, including 11 years in the insurance industry.

She looks forward to being a part of your financial team, and supporting us, to help ensure you are on your path to financial well-being.

The Financial Planning process is all about taking stock of your current financial situation as well as your "Financial Road Map." What are your Financial Goals and are you on track to achieving them? As we approach the end of 2018 and look forward to the year ahead, there is perhaps no better time for updating your financial plan.

Please give us a call to book your next Financial Planning Review Meeting.

HOLIDAYS & BUSINESS TRAVEL

Office Closed:

- Louis Riel Day – February 18th, 2019

Juana Vacation

- March 7th – 18th

Business Travel

Reminders

- The RRSP deadline for 2018 contributions is March 1st

The Tax Free Savings Account (TFSA) was introduced in 2009, and has become a very valuable planning tool.

For 2019, the limit has been increased to $6,000. If you were 18 in 2009 and have never contributed you would have $63,500 in room.

If you had contributed in any previous years - your room would be $63,500 – past contributions.

If you have contributed and made withdrawals, here is the formula to follow; Unused TFSA contribution room to date + total withdrawals made in prior years.

Be sure to discuss where TFSAs fit into your financial plan, both as you plan for retirement, into retirement and as part of a tax efficient estate plan.

Both David and Juana are always happy to meet with new people and provide a second opinion on their current financial strategies. Do you know someone we can help? Have them give us a call!

We will also be hosting a Financial Planning for Women and Wine tasting event
February 12th, 2019.
Do you know a friend, neighbor or colleague who would enjoy a night out and an opportunity to learn more about our practice in a fun, no pressure atmosphere while enjoying a glass of wine? Let us know, and we will send an invitation your way

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