

“Money Matters”

Top 10 Q&A

1. Q: When does it make sense to have a separate business account?

A: Always, this keeps your books organized and makes it easier to track income and claim business expenses. Making it easier in case of audits (CRA) and when looking for loans.

2. Q: What is the difference between the Grenville Community Futures Development Corporation (GCFDC) and a traditional lender?

A: The CFDC is another option for business start-ups and expansions, when the business cannot get what they need from the bank or need to supplement the bank offering. The CFDC will work with the bank if a portion of the financing is needed or stand-alone if the business does not qualify at the bank. The CFDC business loan interest rates are dependent on risk, so higher risk yields higher interest rates. Terms and rates are determined on a case by case basis.

The CFDC’s goal is to work with business to get them to a point where they can go back to the bank for traditional financing when they have proven their track record.

- 2.1 Q: What about crowd sourcing and private investors or “angel” investors?

A: Crowd sourcing is a unique way to get small amounts of money for interesting projects and is defined as the process of getting work or funding, usually online, from a crowd of people.

Read more at <http://dailycrowdsource.com/>

Private investors (sometimes called Angel Investor Networks) are another financing option, but typically glean higher interest and/or equity stakes in businesses. There may be angel investor activities in our community, though no known formal network set up or active.

3. Q: Difference between a line of credit and a loan?

A: Loans are for large purchases, for example a new company car or a tractor; these are low risk as the bank has the item as collateral. An operating line (line of credit) is for using on day to day business activities to cover until the money starts coming back in (Accounts Receivable and Accounts Payable). The line of credit is usually paid back in a short amount of time, however is higher risk as it depends on the success of the business.

4. Q: When buying used goods for you business with no receipt (from a garage sale or a friend, can you claim this on your taxes?

A: Generally yes, if the purchases are under 50\$, it is good practice to get some form of receipt for all business related purchases and to keep them in an organized fashion.

5. Q: What advantages exist from being home based? Can you claim both home based and commercial?

A: For a home based business, you can claim energy costs, home repairs and other regular home expenses for your office space for tax credits (usually based on proportionate share of the office space vs. living space). You can operate both commercial and home based locations if there is no office space at the commercial location, but this is a gray area and best to get advice from tax professional in this area.

6. Q: What are some key considerations when moving from home-based to commercial?

A: The large amount of capital needed, you must be fully prepared with extra funds to cover the new costs at your home and the commercial location. Rule of thumb is to have at least one year's worth of operating expenses saved when moving to commercial location, based on your forecasted cash flow.

An option is to purchase/own the building and rent out some space for additional costs. Though moving from home based to commercial has a major impact on cash flow, there are some advantages to making the move, especially the separation from home and work, and the professionalism built. Do be careful not to under estimate your space requirements if you do move to a commercial location, as moving to many times makes it difficult for clients to follow you.

7. Q: Dividends versus salary when and why?

A: The tax on salary is higher than dividends generally. This question is very business and person specific, but as a general guideline if it's under 50,000 pay yourself salary so you can pay into CPP, etc, if higher than pay salary and dividends. Best to talk to a tax specialist before making these key decisions.

8. Q: When changing from sole proprietary to an incorporated business, do you change the title of your cars?

A: Since the corporation is technically a person you sell them assets and they pay you back, you may not have to change the title of a car you use for the company however.

9. Q: How can I keep the books if I have no extra money in my budget for an accountant?

A: Several bookkeepers offer small fees for one time or once a year with hourly fees which can be more affordable. Just make sure you have all your records organized, you don't want to pay extra time for a bookkeeper to spend time adding up expenses or organizing papers, make sure you have everything ready for them, will save you money if you have all receipts filed and even logged in a spreadsheet.

10. Q: Is there an advantage to being incorporated? Or registered as a business?

A: For bank loans, it doesn't really matter as they will still require your name on loan documents instead of the business. For financial reasons like taxes it would be a good idea to register. HST starts at 30,000 gross rev.