

Let's Talk

AUTUMN 2010

Lipton Wiseman Altbaum & Partners LLP - Chartered Accountants

New Name – Same Commitment

As our clients and friends know, the ability to initiate change is a necessary attribute of a successful business. Over the years we have advised many clients on adapting to current market trends, and now we are following our own advice.

Effective November 1, Lipton Wiseman Altbaum & Partners LLP will become Lipton LLP Chartered Accountants and Lipton Wiseman Management Consultants will become Lipton Management Consultants.

After 34 years of serving clients under our original name, the partners of the firm have decided on the new partnership identity after careful thought, and respecting the firm's traditions.

Our partners and staff pride themselves on delivering professional, responsive and personalized service to a respected client base. It has been that way since June 6, 1976, when the firm opened for business under the leadership of Harold Lipton and John Wiseman.

Harold and John had been senior partners at Laventhol & Horwath, and when they formed their own firm they recruited accounting supervisor Steve Altbaum, then only 26, to be their partner. Today, Steve is the firm's sole founding partner. John left the firm to become a senior executive with a client company at the end of 1995. Sadly, Harold passed away on August 2, 2000, having served as a client consultant since his retirement 13 years before.

According to Steve, it was primarily Harold who established the firm's tradition of service excellence. For more than three decades, Steve and his partners have maintained and expanded on that tradition and continue to pass it on to all members of the firm.

"Harold was the firm's patriarch," Steve says. "He set the high standard for our professionalism and ethics. To this day, we still apply his personal approach to meeting clients' needs."

Harold's children, Shayne, Myles and Candy, will attend a special ceremony at the firm's office to mark the November 1, 2010 name change.

Steve also explains that the change reflects trends in professional service firms to operate under short, easily remembered names in a business world that focuses on timeliness and efficient digital processes.

Lipton LLP and Lipton Management Consultants remain committed to our mission of helping each client with their professional requirements with a commitment to excellence in service and outstanding professional advice.

Steve emphasizes that "Our focus remains unchanged. We will continue to deliver personalized professional services, maintain strong relationships with our clients, friends and the community at large, and always strive to exceed expectations. That's the commitment that Harold Lipton inspired."

Inside

Transferring the Family Business	2
Tax-Free Savings Account Update.....	2
Spam and Spyware Prevention Tips	3
Professional Profile	3
Firm News.....	4

Transferring the Family Business

Transferring the family business to the next generation is often an emotional issue for owner managers, arising over concerns of future ownership percentages for the children and the purchase price for the business.

Certain strategies are available to help deal with these issues efficiently, according to Senior Tax Partner Jeff Nightingale.

“With respect to future ownership percentages for children, those who are active in the business can receive shares, while those who are not active can possibly be equalized with other family assets. With respect to purchase price, it depends on the type of business and the family’s overall objectives(s) with respect to a sale/gift. Furthermore, parents want to pass on the business without it costing the children a significant amount in after-tax dollars.”

One common strategy is to freeze the value of the company at its current market value and, in exchange, receive preferred shares with a set value. These can also be voting shares. The voting shares enable the owner-manager to retain control of the company.

New common shares can then be issued to the next generation, either directly or through a family trust, in order to pass on future appreciating value.

The question then arises – what do parents do with the frozen shares?

“In many cases, the company can redeem the shares over a certain time period to minimize current and future tax consequences,” explains Jeff.

“Parents should also consider whether interest should be charged on any loans that they have made to the business as well ensuring that they continue to be remunerated fairly, possibly through an employment contract.”

In any case, it is essential to keep your financial institution informed of any type of internal reorganization.

In addition, your will should include specific instructions regarding how your remaining shares and loans will be allocated. In Ontario, dual wills can also be used to help reduce related probate fees.

For further information, please contact your Lipton adviser.

Tax-Free Savings Account Update

No one likes receiving unexpected notices from the Canada Revenue Agency (CRA). Some owners of tax-free savings accounts have received notices in recent weeks and may be confused about the rules governing such accounts.

Effective since January 1, 2009, Canadians over 18 have been able to contribute up to \$5,000 a year to tax-free savings accounts (TFSA). They do not obtain a tax deduction for contributions, but any investment income or capital gains earned in a TFSA is not taxed.

Withdrawals from the accounts are also tax-free and can generally be withdrawn at any time.

Confusion has arisen, however, over whether withdrawals can be replaced in a TFSA within the same tax reporting year. They cannot, if such deposits take the contribution total over the \$5,000 limit.

As an example, if a TFSA owner has deposited the maximum \$5,000, then withdraws \$2,000 – or even transfers it into another bank account – then deposits

\$2,000 later in the year to top up the account, CRA deems that \$7,000 has been deposited in the TFSA.

There is a penalty for excess contributions amounting to one per cent of the excess, assessed each month within the taxation year. Some account owners have unexpectedly received notice of penalty assessments.

“Many people were unaware of this aspect of the rules governing TFSA contributions,” says Tax Partner Sunita Arora. “You have to wait until the following taxation year to replenish a TFSA if the replenishment will mean that your total deposits exceed \$5,000.”

CRA has acknowledged that there has been genuine misunderstanding about the rules and is willing to reconsider the penalties in such cases.

“If clients have received reassessment notices concerning TFSA contributions they can call us for assistance,” Arora notes. “We understand CRA’s procedures for seeking a review of penalties and have already made representations on behalf of clients.”

Spam and Spyware Prevention Tips

As threats from computer hackers and fraudsters increase daily, owner-managers must be all the more savvy in protecting corporate assets, according to Lipton Systems Administrator Bryan Walderman. This diligence will pay off by maintaining efficiency and reducing computer chaos.

“It’s a cat-and-mouse game, and corporations are ready targets for computer malice. Even an hour of computer downtime can result in lost productivity.”

He offers these tips for protecting your business by avoiding spam problems:

- Separate your personal life from your business life. Rather than using your corporate e-mail address when pursuing personal interests, use a free address such as hotmail or g-mail.
- Use professional Web designers or marketing agencies to distribute mass mailings including

newsletters. Using your corporate e-mail address could jeopardize that address and even result in your company being blacklisted as a spammer. Professional agencies offer in-house e-mail solutions and can help you achieve marketing goals.

To avoid spyware problems:

- Play it safe – don’t open any unfamiliar attachments, even from trusted sources if they seem suspicious.
- Be cautious about the Web sites you visit.
- Institute a corporate policy on information technology to ensure that employees know the rules.
- Schedule regular computer scans. Spyware can run in the background without your knowledge, so run regular maintenance scans at least once a month, depending on the size of the company, (the bigger the company, the more often the scans).

If you have questions, please call Bryan for advice.

Professional Profile – Abbas Raza, CPA (Maine)

Tax Senior Abbas Raza keeps a busy professional schedule in the tax department at Lipton. Formerly with a Big Four accounting firm in Kingston and a smaller firm in Toronto, Abbas has been with Lipton for five years, joining in 2005.

“Lipton is an excellent firm,” he says, “and a great place to work. I especially enjoy the variety of tax work that is available here, including U.S. and cross-border taxation, Canadian taxation, HST, personal tax and corporate tax.”

His designation as a Certified Public Accountant (Maine) – a US professional licence – gives him wide expertise. In 2006 he also completed the In-Depth Tax



course, which is offered by the Canadian Institute of Chartered Accountants.

With a schedule that gets busier during tax season, he also enjoys the opportunity to work in Lipton’s tax department with a team of five professionals. In the department, he shares responsibility for the quality control of corporate and personal tax files, ensuring that they meet the firm’s high quality-control standards before they are sent to the government and clients.

When he’s not working, Abbas also enjoys spending quality time with his wife and three children. Together they like to travel whenever they can. A recent trip took them to New Hampshire, and this summer they hit the road for a family trip to Colorado.

NewsBrief: Firm News

Welcome to **Bryan Walderman**, who has joined the firm as Systems Administrator.

Congratulations to **Michael Wagman** on his reappointment as Treasurer of the City of Vaughan Hockey Association.

Congratulations to Senior Tax Partner **Jeff Nightingale** on his reappointment as Treasurer of Temple Sinai Congregation in Toronto.

Jeff attended the Managing Partners Conference of JHI International, held September 24-25 in Atlanta, Georgia. The conference focused on growth and client-service strategies for professional services firms.

Paul Roberts and **Bryan Walderman** attended the JHI information technology conference in September.

Congratulations to two Lipton colleagues: **Emily Yiu** on her engagement to her fiancé Benedict Chien, and **Kathy Israel** on her daughter Sarah's Bat Mitzvah.

Lipton celebrated the long hot summer of 2010 with a get-together held in July at Astoria restaurant on Danforth Avenue.

Feedback

Referrals from friends, colleagues and existing clients are the nicest way to be introduced to new clients.

Thank you for recommending us.

Any comments on the articles in this issue?

Please give us a call at 416-496-2900

or e-mail us at lipton@lwap.com

For more information about our firm and to consult back issues of this newsletter, please visit www.liptonca.com.



Congratulations to the Lipton Softball Team. In their first year in the CA Softball League, they made it all the way to the finals, only to fall a little short of bringing home the trophy. This team is certainly one that we are proud of: determined, hardworking and sportsmanlike – excellent representatives of our firm.

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