

## Advisor urges business owners to rethink CPP strategy



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By Mark David

If the growing fear is Canadians will lean too heavily on their CPP benefits, just as concerning are the number of business owners who won't be able to lean on them enough, says one seasoned advisor.

"The one thing that has changed in the past – that I think will shift again – is business owners have been advised to take more of their corporate income as dividends rather than salary," Rona Birenbaum, founder of Toronto-based Caring for Clients, tells WP. "And when they do that, they're not making CPP contributions, or their contributions are much reduced because the salary component of their compensation is being reduced or eliminated as a tax-planning measure."

That runs counter to a growing number of reports suggesting too many Canadians are without retirement savings outside of relatively meagre CPP benefits.

This week, OSFI reported that the number of employees who are covered by pension plans has fallen two points, from 40 per cent in 2001 to 38 per cent in 2011. The research also makes note of the increasing number of us without company pension plans, placing even more

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pressure on CPP benefits.

Well-heeled business owners are in a different boat as far as CPP contributions and their expectation, but their current strategy could still benefit from some tweaks in order to maximize retirement income and quality of life.

"I would say that the CPP benefits provide an important, but not an essential element to their retirement security," explains Birenbaum, one of WP's Top 50 Advisors. "Without it, they would have to go without some of the comforts of retirement."

She, like many other financial planners, is urging her clients to re-think their strategy and meet with their accountant as soon as possible.

"In relation to this change in the dividend tax credit and how it might affect their remuneration strategy, I'm suggesting that they have a tax plan meeting with their accountant," Birenbaum says. "Often, I get involved in those."

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