

Tax
Talk

SCOTT TAYLOR



Planning to exit the stage

The other day I had the pleasure of speaking to a client who has been with us since 1995. At one time I was his account manager and dealt with him on a regular basis. I happened to answer the phone and take his call because his regular account manager was away on holidays.

We spent some time catching up and the client told me how, after 30 years as an owner-operator, he's coming to the end of his working days.

I asked if he planned to take time off this summer and he laughed and said this is when he gets the most work done (despite the tourist traffic). In fact, he's taken the last three winters off, trading the icy roads and frigid weather for the warmth of his cozy home.

Planning ahead

This guy has always been a good planner and he was just calling to brainstorm about how and when to wind up his corporation now that he's

I gave him the same response then that I give owner-operators today. I drew two circles on my notepad: in one circle I wrote the client's name, and in the other I put "corp."

These circles illustrate how a corporation keeps business and personal finances separate.

Think of all the business income going into the corporation's circle. When you need money for yourself, I explained, you can move it into your personal circle for you to spend.

This relationship exists whether you're working or retired.

Remember that a corporation can live on whether it's actively in business or not.

Until it files a final tax return and

applies to be formally dissolved, the corporation can continue to hold assets and pay dividends.

It may seem strange to let your corporation go on after you've hung up the keys.

But, if over the years you have managed to save money in the corporation, or if selling your equipment has put money in there, it may be better that way because you may end up paying a lot less tax.

Rather than dissolving the corporation and having to pull money out and add that income to your personal tax return, you can withdraw it over time.

You can in essence treat your corporate bank account like a pension fund and withdraw X-amount of mon-

ey each month until it's gone (or of course withdraw nothing if you don't need the money).

We have many clients who are retired from driving but who continue to draw from their corporation.

They come to us once a year and we do the T4s or T5s as necessary based on their drawings from the company and provide some tax planning based on other potential income.

We file their corporate and personal tax returns and then say goodbye until next year. Most of these folks have been clients for 20-plus years.

Eventually every owner-operator will close the business. When that time comes, a carefully planned exit is the best way to make sure you can move on to the next chapter in your life. ●

Scott Taylor is vice-president of TFS Group, providing accounting, bookkeeping, tax return preparation, and other business services for owner-operators. Learn more at www.tfsgroup.com or call 800-461-5970.

Eventually every owner-operator will close the business. When that time comes, a carefully planned exit is the best way to make sure you can move on to the next chapter in your life.

mulling retirement.

Thinking ahead and asking for advice is why he and many other clients of ours have been so successful. This guy has worked hard and smart and he's been able to save a decent amount of money over the years.

Also, he'll bank some money when he sells his truck.

He's been checking out websites and talking to dealerships to see what it's worth.

He could sell the truck now and be a company driver again.

I'm sure with his experience many carriers would hire him, even with his not wanting to work winters. Or he could hold on to his truck for a while knowing he'll get less for it later but have the ability to work when he wants to.

Either way, this owner-operator is in a great spot as he winds down his career. He's mapping out a plan for himself and for his truck.

But what about his corporation?

Circles of life

When I first met this client 20 years ago, he asked a lot of questions about incorporating his business.