10 STRATEGIES

FOR A PROFITABLE BUSINESS

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1

YOUR BUSINESS PLAN

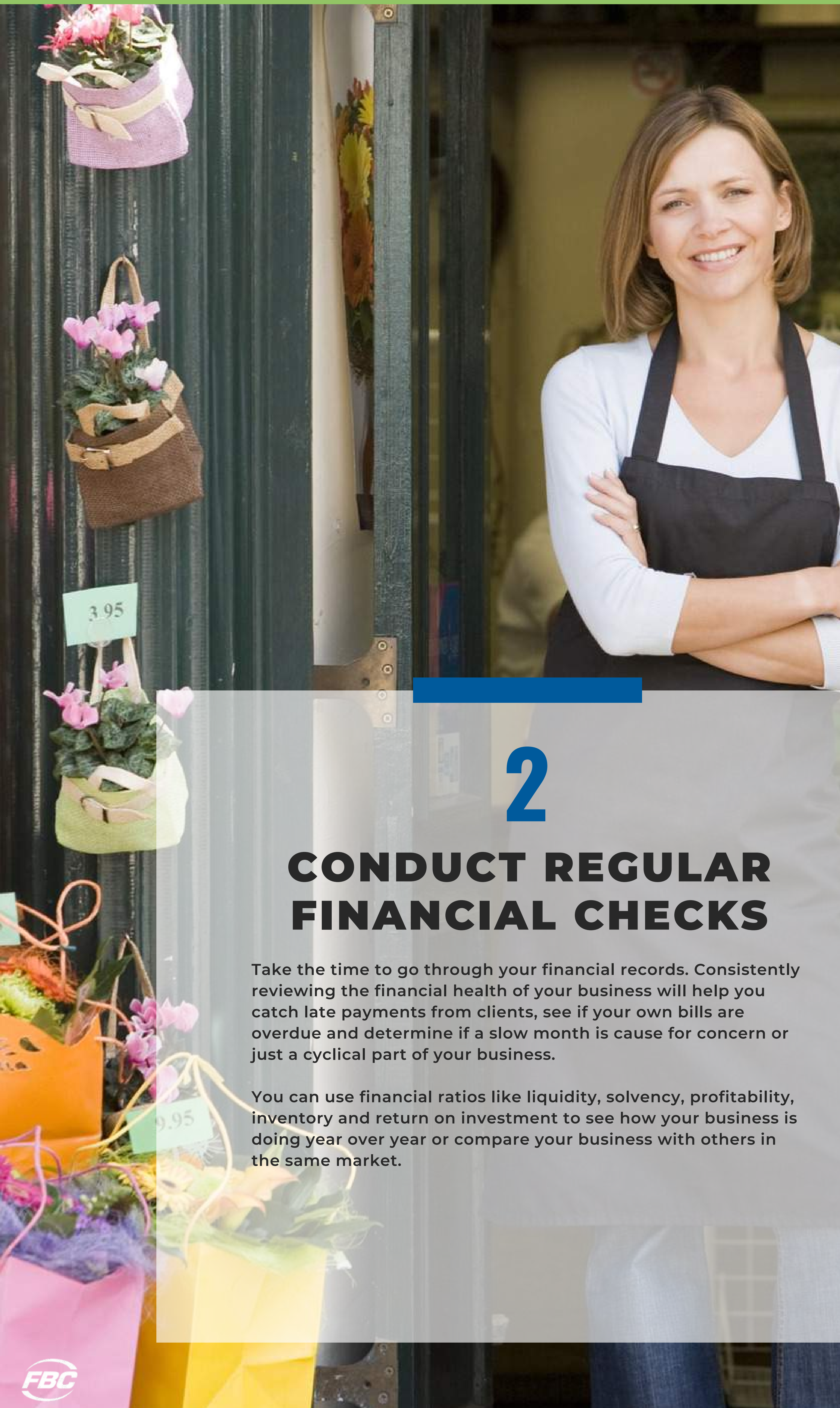
You may have created a business plan when you first started your business or applied for a bank loan, but when was the last time you looked at it?

It's normal to be consumed by the day-to-day of running a business, but it's important to regularly review and update your business plan.

It will inform whether your results are matching your goals and is a valuable tool for planning for the future.

Here are some questions to get you started:

- Where do you want your business to be in three years, or five years?
- What resources do you need to get there?
- What is negatively impacting your business? Depending on what you find, you might hire another employee to grow your business or cut down on costs by negotiating with a vendor.



2

CONDUCT REGULAR FINANCIAL CHECKS

Take the time to go through your financial records. Consistently reviewing the financial health of your business will help you catch late payments from clients, see if your own bills are overdue and determine if a slow month is cause for concern or just a cyclical part of your business.

You can use financial ratios like liquidity, solvency, profitability, inventory and return on investment to see how your business is doing year over year or compare your business with others in the same market.

3

PAY DIVIDENDS

If your corporation has made a capital gain in the past year, you can pay out tax-free capital dividends to shareholders using the capital dividend account (CDA).

Talk to your tax professional to find out more about this tax advantage.

4

CALCULATE INSTALLMENTS

Generally, if you are a corporation with an income tax bill over $3,000, you must pay your tax in installments or face interest and penalties. There are three methods to determine your payments and you can choose the one that means paying the least amount of tax: no-calculation option, prior-year option and current-year option.

- No-calculation option – If your income, deductions and credits are about the same from year to year, the CRA determines the amount of your installment payments based on the information in your latest assessed tax return.
- Prior-year option – If your 2019 income, deductions and credits will be similar to the prior-year amount, but different from 2017, you can determine the installment payments based on your tax return for 2018.
- Current-year option – If your 2019 income, deductions and credits will be different from those in 2018 and 2017, you can determine the payments based on the current year net tax owing.

5

STRUCTURE YOUR COMPENSATION

Deciding whether to compensate principals and shareholders with salary or dividends will depend on the share structure and may change from year to year with changing tax laws. Be sure to have this conversation with your tax professional each year.

6

CONSIDER A HOLDING COMPANY

A large farm operation or successful incorporated business may benefit from a holding company, which lets you "hold" a property like land or buildings. You can pay corporate earnings of a subsidiary to the holding company tax-free and the holding company can help protect tangible assets from business risk.

7

HAVE A SUCCESSION PLAN

Have you set a retirement date, or do you foresee slowing down your daily activities in the business? Do you have a family member or employee to take over the business? Ensure you have a financial plan that meets your retirement, succession and estate goals, as there are a number of financial, legal and tax implications you'll have to consider when transferring or selling the business.

8

REVIEW YOUR BUSINESS PROCESSES

Look for ways to increase efficiencies, reduce costs, lower risk and increase your profits. Eliminate anything that isn't helping you achieve your personal and business goals. Look at where your profits come from and where your time and other resources are spent. If a task is draining your time but not returning a profit, eliminate it or outsource it to someone else.

9

MANAGE YOUR RISK

An accident, illness, natural disaster or systems failure could seriously impact your business. A risk management plan will include both preventative measures and processes, and tools and methods, to help you deal with an unexpected event. You could start right away by putting aside some money in case operations are interrupted.

10

TIMING PURCHASE OR SALE OF ASSETS

If you need to buy equipment or inventory consider purchasing before the end of the year to affect your current year taxes. If you're selling a capital asset at a loss, sell it before your year-end to offset any capital gains. However, it may be more beneficial to defer selling depreciable assets until the new year.

ABOUT FBC

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