

COMPUTER DATA BACK-UP (Part II)

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After considering basic back-up strategies and examples of possible hardware solutions in Part 1 (see Summer 2002 issue of the W&P Quarterly), it is important that we consider computer software, which could provide invaluable help in executing proper back-ups.

Zip before you click "Enter"

Quite often the back-up medium we choose is not big enough to contain all the data we want to process. Using compression software will quite often alleviate the problem. There are numerous free, shareware and commercial packages available, including WinZip,

PKZip, PentaZip, Stuffit Deluxe, PowerArchiver and others.

Depending on the types of files you'll be backing up, zipping them can save you anywhere from a few megs to multiple gigabytes of space required on your back-up media. It's also a good way to organize smaller files, such as Word or Excel files. You can create zip archives, which are much easier to move than hundreds of single files. It is important to understand that compressing files adds time to both the back-up and restoration and will significantly prolong back-up time.

Back-up and drive image software

Depending on the type of back-up media you have, you may already have back-up applications installed. For example, tape drives will usually ship with advanced back-up software, such as Dantz Software's Retrospect Express or Veritas's Back-up Exec. You can also buy stand-alone retail versions of these programs for use with CD-RW or DVD-RW drives.

You have to be aware, though, that some of the software supports only specific back-up medium – be it CD writer, tape, or Zip drive and not the others.

Various shareware libraries also contain demos of versions of retail and shareware applications for creating back-up sets, saving your Registry,

and scheduling back-ups. This will give you a chance to try out some of these back-up applications to see if the cost is worth the efficiency of not having to take the reins during every step of the back-up process.

Image creation software, such as Norton Ghost, Drive Image 2002, True Image Deluxe can be an excellent tool for performing comprehensive back-ups. Image creation applications take a snapshot of your entire hard drive and save it as an image file. The image file can then be transferred to another hard drive, a back-up tape, or a CD-R disk. Then, if something goes wrong with your system, you can restore it to its exact state from the drive image.

Partitioning software

Partitioning software can also be a useful back-up tool. There are several of them on the market, the most popular being Partition Magic, which is relatively easy to use and can create/resize/move partitions. While partitioning itself will not protect your data in the event of a total hard drive crash, having a second partition on your drive to transfer personal data to and from can make reinstalling your operating system a much easier task. Then if an individual file gets corrupted, you have a back-up copy-right there at hand.

Online Back-ups

Online back-up appears to address a lot of the requirements of successful back-ups including off-site storage, capacity, and automated scheduling. However, even with cable or DSL access to the Internet, upload speeds are often limited, making transferring the entire contents of your hard drive impractical. But most online commercial back-up sites take advantage of compression as well as software that only transfers files that have been changed. The first time an online back-up is performed it will take significantly longer in comparison to subsequent back-ups, which may only take minutes.

Some of these services carry rather steep fees i.e. @Back-up, Virtual Back-up, BitStor, Back-up MyPC can cost anywhere from \$50US to \$995US depending on size of storage required; some are completely free, but with significant space limitations (usually up to 30-50MB) and no automation whatsoever.

To learn more about computer data back-up, contact Radek Costa-Sarnicki at (416) 969-8166 ext. 288.

Setting High Standards in the Construction Management Industry

by Michael Mittleman

During the past two decades that McGill^{CC} Inc. has been building office suites within the Ontario region, we have seen a progressive evolution take place with respect to the necessary business assets required in order to meet client expectations in today's demanding economy. While the notion of landlord provided turnkey space remains a viable option in some cases, growing sophistication within the tenant community has greatly diminished the traditional role of the general contractor. Tenants want greater control over the design, scheduling and costing of their new office project. As a result of their proactive assertiveness, a new breed of construction services provider, one that is capable of expanding its expertise into the entire realm of tenant space coordination, has evolved. This entity is commonly referred to as the project or construction manager, a role McGill^{CC} Inc. has been fulfilling with great success for many years.

The approach is simple. Rather than entering the equation as a last minute necessity, often blind to the client while answering a tender bid as a general contractor, today's construction manager provides highly valued input as a team consultant during the early stages of project planning. Clients increasingly rely on the construction manager's ability to provide value engineering, deliver cost effective solutions and in helping to determine the right choice for the location of their new office space. The latter being accomplished by firms such as McGill^{CC} Inc. that have vast experience working with landlords, leasing agents, architectural designers and building operations personnel throughout the community.

McGill^{CC} Inc. often finds itself in the position of assembling the right team for the right job, which varies greatly depending on the client and our firm's adaptation of their business culture. It's all part of the full service method that enables McGill^{CC} Inc. to approach every project offering keen efficiency whereby the client avoids incessant meetings with each and every service provider. It's one-stop shopping in its truest form.

Recently, our firm has been working diligently for one of our key clients, GWL Realty Advisors Inc., owners of the Trillium Executive Centre in Markham and the landlord of Williams & Partners, Chartered Accountants LLP in providing this type of full spectrum construction management servicing for many of their tenants. This includes design consulting, scheduling, permitting, construction and even move management. By providing life of lease warranties with respect to workmanship quality and contractual guarantees, locking in pre-determined budgets and move-in dates, our firm must meet the highest standard for itself and on behalf of our clients.

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Tax-Exempt Life Insurance - Insurance Protection or Tax-Sheltered Investment?

by Geoffrey R. Carli

Actually, it's both! While life insurance is used extensively in everyday personal financial plans to provide much needed cash upon the death of a family income provider or business owner (to pay taxes, eliminate debt, and replace lost income), its use as a tax-sheltered investment is less widely known. Perhaps this is because it's most applicable to higher net worth investors and business owners. Life insurance not only plays a significant role in their tax, estate, and business succession plans... it's also a major part of their investment portfolio.

There are numerous advantages to using life insurance as a part of your overall investment portfolio. Life insurance is used as an effective "fixed income alternative" to bonds and GIC's in that portion of an investor's portfolio. It is a safe and secure tax-shelter that DOES NOT offset RRSP contribution limits. There is no upper limit to the amount that can be sheltered under a life insurance contract, creating unlimited opportunity and potential for those who are able to take advantage of it.

Stocks, mutual funds and even real estate have some form of deferred taxation at a preferred rate (i.e. capital gains or dividends); but fixed income investments (bonds & GICs) are fully taxable each year, at the highest marginal rate. Thus, making them the least tax-effective and most often neglected part of one's portfolio.

Funds invested in a tax-exempt life insurance contract provide the same safety of bonds and GIC's but grow tax sheltered with the potential for greater returns, completely tax-sheltered with no maximum contribution and no offset to your RRSP limits. The funds are accessible either directly or as collateral in the event of a cash emergency, and...the life insurance provides protection for your family and business today, as well as tax free cash for your estate planning tomorrow. The flexibility contained within the product is remarkable; the life insurance element is an essential tool for tax and estate planning. The compounding effects of the tax-sheltered cash within the policy are very attractive over time.

A great example is London Life's \$12 Billion Participating Fund, which has varied less than T-Bills over the last 50 years, making it literally as safe as a bank account; yet averaging approximately 8-9% over the same period of time. After the cost of insurance you're looking at a long term return of 6-8% in the cash values alone... and double or triple that value goes to your beneficiary tax free when you die.

There are, however, some eligibility requirements and conditions attached to life insurance. Unlike conventional tax-shelters or investments, life insurance is not readily available to everyone. Providing medical evidence of good health is necessary before approval. One must

have a long time horizon and a need for the insurance to take full advantage of both the tax-sheltering and the insurance coverage. Candidates include individuals who max out their RRSP's and have paid off their home mortgage.

As always, an excellent method of minimizing the investment risk of your portfolio is to diversify among a variety of investment options. Doing this, allows you to have a portion of your portfolio performing

well under all market conditions. Tax-exempt life insurance achieves this when used in the fixed income portion of your portfolio.

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What is Forensic Accounting?

Despite what you may think, a forensic accountant is NOT an auditor of deceased taxpayers. Although that could be part of the job description if the taxpayer was suspected of a fraud and met an untimely death. But seriously, a forensic accountant is an accountant whose work may be used in a court of law. Forensic is defined as relating to, used in, or appropriate for courts of law or for public discussion or argumentation.

Williams & Partners Inc. Forensic and Investigative Accountants is a division of Williams & Partners, Chartered Accountants LLP, which specializes in forensic investigations. Currently, our main specialty is the investigation of insurance claims. This involves calculating automobile accident benefits, business interruption and inventory losses. However, we have also investigated suspected cases of employee theft or dishonesty and shareholder/director improprieties. Often, the latter cases assist in resolving shareholder disputes.

It has been reported by the Insurance Bureau of Canada's Coalition Against Insurance Fraud that fraud amounts to \$2.3 billion a year. That does not mean all claims are fraudulent but it does mean greater scrutiny in claims processing is necessary. Hence our role has played an integral part of the investigation of insurance claims.

Since an insurance claim may end up at the Financial Services Commission of Ontario ("FSCO"), the regulatory body governing the Insurance Act; or may end up in civil or criminal litigation; our role may

extend to providing expert testimony in court to explain our findings.

Recently, Rob Pellegrini, Vice-President of Williams & Partners Inc., testified before FSCO regarding a claim for accident benefits. The issue was with respect to whether a claimant had provided sufficient information reasonably required to assist the insurer in determining the person's entitlement to an income replacement benefit. Rob explained why he felt that we could not calculate an income replacement benefit with the limited documentation that was provided. Despite repeated requests for more information, the plaintiff's counsel was of the position sufficient information had been provided.

The Arbitrator agreed with Rob's testimony in this case and the claimant was denied benefits as a result. Once the information is provided by the claimant and a proper calculation can be made, a claimant is then entitled to receive their benefit. The plaintiff is appealing this decision and we are still waiting for the additional information.

The news today is full of reports of scandals, frauds and impropriety. The role of the forensic accountant is to prove any wrong-doing based on evidence gathered. However, as seen with the work that Williams & Partners Inc. does, forensic accounting can also save insurers money by preventing over-payments on unsubstantiated claims, which can only assist in keeping premiums in check. Hopefully, it also acts as a deterrent to those so inclined to beat the system.



CLIENT'S CORNER

Royalpark Homes

For twenty-five years, Royal Park Homes has been building everything from townhouses to million dollar estates. What sets them apart from all other builders is their consistency in quality and workmanship. Royal Park Homes is constantly trying to introduce new architectural concepts into each new design. All of their staff believe in the "customer first" philosophy. Royal Park offers unique customer service and exceptional after-sales service. Royal Park's reputation lies in their distinctive communities built on traditional values. They strive

to stay abreast of every aspect of the construction/development process, and continually keep their focus on client satisfaction.

Davide De Simone and his son Marco take pride in the fine reputation that they have built over the years. Royal Park's emphasis is on the hands-on approach involving a deep commitment to their client's needs.

Royal Park is respected not only for building fine homes and satisfying clients, but also for the support of the community through their generous contributions to local charities.

Royal Park has a large following of satisfied consumers that truly appreciate the quality built into each and every home.

Royal Park has been a client of the firm and its predecessor for over 20 years.

TAX TIP “Salaries and the Employment Insurance Exemption”

Under the Employment Insurance Act, persons not dealing at arm's length with their employer, are not eligible for employment insurance (“EI”) payments and are not required to have EI withheld from their wages. In addition, the employer is not required to remit the employer's portion of the EI (being 1.4 x the employees portion) in these circumstances.

However, an exception to this rule applies where it can be demonstrated that it would be reasonable to conclude that the employee might have entered into a similar contract of employment if they had been dealing at arm's length with the employer. In those circumstances, the employee would be entitled to EI benefits and would have EI deducted and remitted, along with the matching employer portion.

In cases where the employer has a spouse or other family member working for them, many people have taken the approach that, because of the non-arm's length nature relationship, no EI need be withheld and no employer portion need be remitted. The basis for doing this would save the cost of the remittances. For instance, in 2002 the maximum EI for an employee is \$858 and the maximum employer portion is \$1,201.

Unfortunately, this approach can lead to some fairly serious income tax consequences. In order to meet the exemption, you are implicitly declaring that the amount of the salary being paid to the family member is unreasonable. The Income Tax Act specifically provides that unreasonable salaries are not deductible to the employer.

Canada Customs and Revenue Agency has issued a technical interpretation in this area and opined that, in their view, where the salary is exempt from EI, then the salary is unreasonable and some portion of that salary would not be allowed as a deduction to the employer. In addition, if it is found that there is a denied salary expense, CCRA may also take the position that the funds have been appropriated and tax the unreasonable portion in the hands of the owner rather than his family member.

Therefore, anyone contemplating this arrangement to get the exemption from EI, should proceed very cautiously. The savings to be had by not remitting the EI, especially considering that the employee portion is creditable on their personal tax return and the employer portion is deductible to the employer, may not be worth the risk of a disallowance of a portion of the salary.

TAX TIP deals with a wide variety of issues and the information is general in nature. As each person's circumstances are unique, readers are urged to consult W&P prior to acting on the basis of material in this Tax Tip. If you have any questions regarding the content of this or any other Tax Tips, please contact the W&P Tax Group.

W&P NEWS BITS

Welcome

We would like to welcome back Laura Yule to the Williams & Partners team. Laura has returned to us after having spent some much needed time at home with her new son, Evan and his big brother Ben.

We are glad to have you back, Laura!

Williams & Partners is pleased to announce that Matthew McGuire joined our Forensic and Investigative Accounting division on October 7, 2002. Matthew earned his Honours Bachelor of Arts (co-op) and Masters of Accounting degrees from the University of Waterloo. He has also spent some time in the United Kingdom working in forensic accounting and litigation support. Matthew will be pursuing his Investigative and Forensic Accountant (IFA) specialist designation in the New Year.

Welcome to the firm, Matthew!

Williams & Partners is proud to announce.....

On December 13, 2002, Geoffrey Ng and Matthew McGuire

received notice that they successfully passed the 2002 Uniform Final Examination (UFE) for Chartered Accountancy. Matthew captured 18th place on the nation's prestigious Honour Roll.

The UFE, written in September, is a national, three-day exam and remains one of the world's most challenging professional exams.

Congratulations to Geoff and Matthew!

Williams & Partners in the News...

Enzo Morini, Tax Partner, was recently quoted by Jonathan Chevreau of the National Post in his October 10, 2002 personal finance column. The topic of discussion was income tax effective capital loss planning.

Mike Capello presented at a Financial and Lifestyle Wellness seminar on October 23, 2002 at York Central Hospital, along with representatives from Scotiabank, Scotia McLeod and hospital medical staff. Mike's topic focused on maximizing income while minimizing income taxes during retirement years.

If you would like a copy of the National Post article or a transcript of the presentation at York Central Hospital, please contact us.

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