

## Fall 2008

In the previous edition of the Canadian Financial Planner, we started our review of the factors to consider when selecting financial advisors. We focused on the selection of investment professionals and financial coaches. We shall conclude our review of acquiring professional expertise in the following areas:

- tax advisors
- legal counsel
- insurance expertise

### Tax Advisors

There are three distinct categories of taxation that may require professional assistance – compliance, planning and defending one’s tax position. Compliance consists of filing tax returns and ensuring all tax payments are correct and made on or before the due date. Tax planning is the process of re-arranging one’s financial affairs to minimize a family’s tax liability. Should CRA challenge the position taken on filing, a notice of objection may have to be filed and the case could eventually end up in the Tax Court of Canada.

Let’s review each of these processes in detail:

**Tax Compliance** – Individuals have almost unlimited options in selecting someone to complete their tax return. Given the tax software on the market, most firms are very competent at filing tax returns. What factors should be taken into consideration when selecting a tax preparation firm? Individuals that are not financially sophisticated and have limited income may find that most tax preparation firms are satisfactory. Consideration may be given to

---

The Canadian Financial Planner may not be copied or reproduced in any form or by any means, without the expressed written consent of Canadian Tax Planners Limited 30 Mapleton Place, London Ontario N6K 4A5. Copyrighted © 2008. Canadian Publications Mail Product Sales Agreement #0483079. Date of Issue September 2008. This periodical is published four times per year in March, July, September and November. Telephone 519-641-1015. Website – [canadiantaxplanners.com](http://canadiantaxplanners.com)

selecting a firm that has been in business at the same location for more than a year and employs staff with a professional designation. Low income individuals, especially those that are retired, should consider using the free tax clinics that are available in most areas. For example, the CA's run free income tax clinics in many Canadian towns and cities.

If a family has income from multiple sources and an expectation of higher income in the future, the choice of a tax preparation firm becomes more complex. It is suggested that the firm selected should be able to offer the following:

- in addition to filing tax returns, the firm should be able to offer tax planning counsel and assist the taxpayer with any reassessments
- high income taxpayers with assets in other countries, or who have business or trust income from non-Canadian sources, may consider using the services of a "Big Four" accounting firm. Their fees may be high, but they provide excellent cross border tax planning. Beyond the "Big Four," many of the larger accounting firms have affiliations with international firms and can also provide excellent service in the area of international tax

**Recommendation** –When selecting a tax preparation firm, financially sophisticated taxpayers should consider utilizing either an accounting firm or a multi-branch tax preparation firm, such as H&R Block. Larger accounting firms have staff devoted to the full time practice of tax. However, most sole practitioners are more than competent in the area of personal taxation.

**Tax Planning** – There are numerous tax planning strategies to be considered, but in many cases individuals must arrange their financial affairs "today" in order to generate tax savings "tomorrow." A family's tax plan normally includes:

- income splitting strategies to offset the attribution rules
- tax effective investing

**Note** – The remainder of this article is only available to subscribers of the Canadian Tax Planners Newsletter. If you elect to subscribe and wish to receive a copy of this newsletter, advise us accordingly and the complete article will be forwarded by return mail.

