



W.J. Vermeulen

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2002 Personal Income Tax Season (for 2001 tax returns)

General Administration

New Receptionist

We'd like to welcome Janice Brown to our permanent office staff. Jan will greet clients and answer the phone from 9am to 12noon. She will also provide clerical support such as scheduling, filing, photocopying, and routine correspondence.

Inke Kokosy continues to handle all technical areas of client files, including bookkeeping, investment analysis, and income tax preparation.

Office Hours

The office will be open from 9:00am to 6:00pm Monday through Friday. Evenings & Saturdays will be available by appointment only.

The office will be closed every Sunday, as well as Good Friday and Easter week-end (March 29-31).

Several days in tax season are reserved to facilitate deadlines:

Thursday March 28th - drop-offs only

Saturday April 20th - drop-offs only

Saturday April 27th - pick-ups only

Monday April 29th - pick-ups only

Efile v. Netfile Services

Last year we offered a *While You Wait (WYW)* tax preparation service which made use of CCRA's Netfile service. However, only 1% of client's made use of the service.

Therefore, we will not be offering the *WYW* service this year. All eligible returns will be Efiled.

How to Organize It...

Please take a few minutes to sort the paperwork before delivering it to our office.

- ✓ sort slips separately for each individual
- ✓ sort by type of receipt, as listed above
- ✓ remove any carbon paper
- ✓ remove envelopes & attachments
- ✓ keep duplicate receipts together
- ✓ use paper-clips instead of staples

Your assistance is much appreciated!

Getting Your "Stuff" To Us

Delivery

Please call to set a firm time to deliver your income tax information. Jan can schedule appointments to drop-off tax files.. We set aside various blocks of time each week for pick-up and delivery. During these times, appointments will be scheduled very closely together, so please be on time.

Deliver complete information for the entire family in a single envelope, preferably in March. Mutual funds, charities, etc. often forward information slips as late as mid-March.

Payment

Your fee will be calculated and payable when you deliver your paperwork. We are unable to accept post-dated cheques for income tax preparation. Unpaid files will NOT be processed, they will be held in abeyance.

Tax returns delivered to my office before March 29th will be billed at \$45 per unit. Files delivered after March 28th will be billed at \$50 per unit.

CCRA Deadlines

The filing deadline is Tuesday April 30th, 2002! In order to ensure tax returns are filed on or before the deadline, complete information must be in our office no later than Saturday April 20th, 2002. We can make no exceptions to this deadline.

Individuals who are self-employed, and their spouses, have until June 15, 2002 to file their returns (complete files delivered to us by Friday May 31st, 2002). However, any amount payable will accrue penalties and interest from April 30th. Therefore, we recommend filing in April.

What "Stuff" To Bring?

Basic Tax Returns

Everyone will have at least some of the following:

- CCRA's mailing label
- T4 - employment income
- T5 - investment income
- T3 - trust or mutual fund income
- T4A - pension/other income
- T4A(P) - CPP benefits
- T4-OAS - OAS benefits
- T4E - EI benefits
- T4RSP - RRSP withdrawals, etc
- T4RIF - RRIF withdrawals, etc
- T5007 - social assistance & workers' compensation benefits
- T2202 - tuition & education credit
- interest paid on student loans
- TL2 - transport employee
- RRSP contribution receipts
- child care expense receipts
- charitable donation receipts
- medical expenses & health or travel insurance premiums
- T2033 - disability certificate
- safety deposit box; interest paid to purchase CSB through payroll
- spousal or child support (whether paid or received)
- rent or property tax paid

Single income families may still require a return for the spouse with no income in order to receive the child tax benefit. These \$nil returns cost half the basic fee to complete and transmit.

Advanced Tax Returns

The following indicate that additional schedules may be required to complete your return:

- T2200 certifying conditions of employment
- T4A showing self-employed commissions
- T5013 partnership income
- T5008, T1170 or investments outside of an RRSP
- moving at least 40km closer to work/school
- foreign income or assets held outside Canada
- business, commission, farming or rental income

Your "Stuff" in Our Hands

Files are date-stamped when they arrive and paid in full. Internally, the file goes through the following steps before it is complete:

- sort receipts for entry
- photocopy receipts for our file
- data entry of standard receipts
- calculation of non-standard information (eg business, rental, capital gains, etc)
- review for mechanical accuracy
- comparison to prior years for completeness & carry-forwards
- optimize family's returns for tax credits and/or income splitting
- final review for tax planning (specific goals for PFP clients)
- print tax return summary and Efile authorization
- compile client's tax file
- post database; schedule pick-up

Each step may be assigned to a different staff person in the office. Therefore, it is very difficult to determine the status of any given return until it is ready for printing.

More Info Required

We make every effort to identify missing information when you deliver the file. Otherwise we will call as soon as we identify that something is missing while preparing your return.

Please deliver the requested material as quickly as possible. Incomplete files are removed from our 'in process' files and placed in abeyance.

We can make only limited efforts to obtain missing information. We can not be responsible for late returns if complete information is not provided in a timely manner. You can leave the requested information with the receptionist; no separate appointment is necessary.

Amendments

Once a return has been Efiled, a paper amendment is required to affect any changes. These take upwards of ten weeks to process. They also generate an additional Notice of Assessment from CCRA and verification procedures within our office.

These procedures are very time consuming, therefore an additional fee is charged. Even an apparently minor adjustment creates 1½-2 hours work in this office.

Practitioner Liability

The Efile system downloads work to professional offices. It includes severe penalties against the tax preparer for false or misleading tax returns.

Therefore, we reserve the right to refuse to transmit any tax return if we have any reason to believe the return is incomplete or inaccurate. Our normal preparation fees will still be payable.

When We Finish

When your return is completed, we will call to schedule pick-up. Your return will NOT be sent to CCRA until we meet, review your return, and you sign an EFile authorization allowing us to transmit the return.

Once you've signed the return, we encrypt and transmit it in the next Efile batch. The next day we expect to receive CCRA's acknowledgement of the return. At this point your return is considered "filed" by CCRA.

Pre-Assessment Review

A small percentage of returns are selected (by CCRA) for review before the initial Notice of Assessment is issued.

Our office is notified in the Efile acknowledgement that a given return has been selected. However, it takes CCRA three weeks to itemize the requested information. When we receive this request by fax, we reply directly to CCRA.

A return subject to pre-assessment review is effectively removed from the Efile system and placed in the paper processing stream at CCRA. Therefore, we could wait upwards of ten weeks for your Notice of Assessment.

Status of Your Return

Once your return is Efiled and accepted by CCRA, we can not reliably determine the status of your tax return until we receive the Notice of Assessment.

Please do not call the office requesting the status of your return; we will not be able to provide a meaningful answer.

Life After Tax Season

Almost half the time we spend working on your tax file occurs after you have signed, and CCRA has accepted, your return.

Notice of Assessment

At least three weeks after accepting your return, CCRA will mail your Notice of Assessment to our office. We compare the assessment to the return we prepared. If we identify any differences, we correspond with CCRA to correct their error (about 80% of differences), or verify any additional information they provided (the other 20%).

When we are finished with the Notice of Assessment, we forward the original to you for your records.

Additional Information

For almost 30% of returns, CCRA provides information in their Notice of Assessment which we are unable to verify or dispute from our files. These items are usually unused amounts carried forward from years when our office did not prepare your tax returns.

We correspond with CCRA to obtain the details and add this information to your file; this way we can claim carry-forward amounts in subsequent years. However, CCRA often forwards the requested information to the client, rather than our office directly. If you receive any such correspondence from CCRA, please deliver it to the office immediately.

Post-Assessment Review

About 10% of Efiled tax returns are subject to review after the Notice of Assessment is issued by CCRA. This normally occurs in August or September, but may happen anytime in the next three years. You are not being audited. CCRA is merely requesting copies of paperwork they would normally receive with a printed tax return.

If you receive any such request, please deliver it to our office immediately.

Throughout the year...

At any time throughout the year, it is imperative that we review any Notice of Assessment, Notice of Re-assessment, or request for information that you receive.



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Important Information for All Clients

Welcome & Thank You!!

Another tax season is over.

To all our returning clients - thank you!

To all our new clients - welcome!

It was another successful year, for which I need to thank Inke, Jan and Elizabeth.

Late Tax Returns?

If you have not yet delivered the information for your 2001 tax return, please do so as soon as possible.

Late filed returns are subject to penalties, and unpaid balances are subject to interest. These costs increase considerably the longer the delay.

Refund returns may not be subject to penalties and interest, but CCRA will not pay interest on the balance owing to you

Summer Vacation

The office will be closed Friday June 28th for an early start to the Canada week-end.

It will remain closed until Monday July 15th when we return for regular business hours.

We will not be able to return telephone or e-mail messages during this time.

Change? As Good as a Rest

We will spend this vacation moving our household. This does not affect the office in any way. But it does mean that deliveries and mail to the house on Burns Drive will not reach us.

Effective immediately, please direct all deliveries and mail to the office location on Crimea Street ONLY. A private drop-box beside the office door is accessible 8am to 10pm daily. *We can not be responsible for misdirected materials for any reason.*

A Letter from CCRA?

Almost one tax return out of every ten that are electronically filed is subject to a desk review by CCRA.

If you receive a letter requesting additional information for your 2001 tax return, please deliver it immediately to our office. As well, return the envelope containing the original documents which we used to prepare your return.

You are not being audited; these requests are a routine part of the Efile system. Our office will reply to CCRA in support of the tax return we prepared at no additional cost to you. However, we can not be responsible for reassessments if we are not given the opportunity to reply in a timely manner.

If CCRA re-assesses your return for any reason, contact our office immediately. CCRA is incorrect in most reassessments of returns prepared by this office; we will make every effort to reverse those reassessments without fee to you.

Summer Projects

Our summer, while less stressful than income tax season, promises to keep us very busy.

- convert all personal financial planning (PFP) files to a common standard
- maintain regular bookkeeping accounts; clean-up several new clients
 - look for a new status report/request for information with your monthly invoice
- update investment analysis to June 30th for all PFP clients
 - please deliver your semi-annual investment statements by the end of July
- get a head start on complex medical expense claims for 2002 tax returns
 - we'll send a separate request to affected clients (based on your 2001 tax file)
- finish overhauling our internal filing systems, including new archive procedures
- enter major components for a new file management tool for corporate/business clients
- review all existing corporate/business accounts; update for legal & technical standards
- finalize an investment strategy model to formalize this aspect of all PFP files
 - this will be an important focus for many PFP files for the rest of the year
- several long-awaited professional development and practice promotion efforts
- corporate year-ends, several special consulting projects & regular meetings with clients

**We wish everyone
a safe & warm
summer!**

**Comprehensive Financial & Strategic Planning & Related Support Services for
Individuals & Families, Owner Managed Businesses & Non-Profit Organizations**



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Revised Financial Planning Fee Schedule

Background

We developed a mission statement for the practice during our first year in 1991. In 1992 we expanded on it by making five very clear statements about how we want to do business. This statement of values not only guided our efforts to revise the PFP fee schedule, but actually led us to do so in the first place.

In November, we announced the impending changes to the fee structure for PFP services. At that time, we issued a "short-year" billing to move all clients to a calendar-year planning period. Now we are introducing the revised full-year financial planning fees.

While we identified the divergence between time and billing almost two years ago, we deferred any fee increase. We spent that time reducing the time required to deliver PFP services. The efficiencies achieved have reduced the revenue gap from 200% to just 75%!

Last fall we set about identifying the critical time elements of each financial planning file. Almost 60% of the differences in time required to service clients could be attributed to, or at least identified by, major elements of the income tax returns.

In several previous newsletters, we noted that the PFP services were only meant to include basic tax preparation. However, we routinely neglected to bill for additional schedules or family members.

We determined that this could no longer be neglected in order for any revised fee schedule to be equitable to all clients.

During tax season, we finalized the form and structure of the PFP fee schedule. We applied the new schedule to all client files to ensure the results were equitable to all.

New Fee Structure

In one step, the new fee schedule overcomes the long-standing failure to bill for complex tax work, and better reflect time requirements for all financial planning work.

By separating income tax preparation in its entirety, we are able to maintain a flat-fee PFP system with a minimal increase. The standard fee to renew existing PFP services will be \$300 per year.

Mission Statement

I strive to honour God by using the gifts He bestows upon me to serve others.

Therefore, I offer financial and strategic planning services (and related accounting, taxation, computer and administrative services) to individuals and families, owner-managed businesses and non-profit organizations.

Statement of Values

- ✓ Be honest, show integrity, respect, and compassion, and work in my clients' best interests
- ✓ Acquire and maintain a body of professional knowledge and apply that knowledge with common sense
- ✓ Make effective use of appropriate technologies to reduce the burden to technical calculations, communications and administration
- ✓ Build professional associations with like-minded individuals for mutual referrals, specialized expert knowledge and enhanced client service
- ✓ Adhere to a standard fee schedule that promotes growth, yet ensures fair consideration for services rendered

We have identified a sub-set of PFP clients whose planning activities are limited to projecting tax liability and tracking taxable amounts in investment portfolios. For these clients, we are introducing a \$150 "Limited" PFP rate.

We also determined that significant time was not recovered the first year we provide PFP services. Therefore, new PFP clients will pay \$500 for the first year.

Finally, to mitigate the impact of these changes, we will provide a 50% discount for the 2002 tax preparation fees for all PFP clients who renew the service before July 31, 2002.

Effect on Your Billing

A single person receiving PFP and taxation services will see a \$75 increase in their annual fee; a couple receiving the same service will see a \$100 increase in their fee.

More complex returns (those with business or rental schedules, complex medical claims, foreign income, etc) will see a larger annual cost. However, the additional costs of tax preparation are not the result of this fee revision. We have simply provided a mechanism whereby the additional costs will no longer be neglected.

In fact, 10% of PFP clients will see a reduction in their fee; 30% of clients will see an increase of less than 30%. Fewer than 20% of clients will see an increase of more than 40%; this is due entirely to the billing of complex returns, which should have been billed previously.

Deferred Billing

To defer the impact of the fee changes on clients, we will divide the billing into three parts, as follows:

	<u>May</u>	<u>Nov</u>	<u>Apr</u>
- full PFP	\$150	\$150	taxes
- limited PFP	\$ nil	\$150	taxes
- initial PFP	\$350	\$150	taxes

In all cases, tax preparation will be billed separately when the tax returns are completed in March/April 2003.

A final measure to limit the impact of fee revisions is a 10% discount if the full year's PFP fee is paid by July 31st, 2002.

Invoice Enclosed

Your invoice for your 2002 PFP service renewal is enclosed. The invoice shows the full year's fee and the amount deferred until November. The balance due represents just the May instalment.

However, the optional discounted full year's fee is also noted. Clients paying the discounted amount will receive the "November" invoice showing the discount and total paid as a receipt for tax purposes.

Newsletter Enclosures

If the box below is checked off, then this newsletter includes other enclosures related to your financial planning file. Please review these materials immediately.

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Why is the man who invests all your money called a broker? - George Carlin



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Financial Planning News & Notes

Investment Planning

For the last year, we have been re-developing our investment planning tool-kit. While not yet complete (at least six months to evaluate advanced software tools), we are ready to start applying the tool-kit to most client files.

We have analysed the portfolio information for existing clients. This allows us to evaluate the risk exposure of your portfolio in very broad terms. The next step is to quantify the client's risk tolerance.

We have already made a risk assessment as part of the work we have completed over the last year(s). However, we have been unable to use our assessment in written reports to you.

The enclosed 'Risk Questionnaire' is designed to formalize the risk assessment process. It is the beginning of the process that will allow us to produce broad written portfolio recommendations based solely on our risk assessment.

Each individual should complete the questionnaire, and return it to our office at your earliest convenience.

Portfolio Analysis

We have made a concerted effort to collect and compile investment reports during the year, rather than waiting until February or March to enter this critical information.

We have almost 80% of clients completed to June 30th (semi-annual reports) and 30% completed to September 30th (quarterly and monthly reports). We have also created a system to track the investments we expect to receive against those we have actually received.

Please deliver all investment reports for the 2002 calendar year which we have not yet seen, so that we may update your portfolio analysis. For full financial planning clients this would include all open and registered accounts so that we can track performance and prepare draft tax returns.

For limited financial planning clients, this would include open accounts to update capital gain/loss calculations in support of your 2002 tax returns.

Meeting Requested

The calendar below shows dates and times we have set aside for meetings with our financial planning clients.

For most clients, this meeting will accomplish several things:

- receive investment reports
- receive and discuss risk questionnaire
- update lifestyle expenditures info
- draft 2002 tax return; final opportunity to identify matters to address before calendar year-end
- general review of assets, debts, etc

Please bring your latest pay-stub (showing year-to-date earning) and any other information that may assist in updating your tax plan (eg estimates for donations, medical expenses, child care expenses, etc).

You may call Jan at the office between 9am and 12noon to schedule an appointment. Please remember that evening and week-end times are booked quickly.

Unable to Meet?

If we are unable to meet before the end of the calendar year, please forward you're information (investments reports, year-to-date income, etc) to the office. We will review your file in your absence, and advise you if anything unexpected or unusual comes to our attention. We will meet again with all PFP clients in early February to review the calendar year-end.

Deferred Billing

According to the schedule published in May/June, the second semi-annual invoice for financial planning renewals is due and payable at the end of November.

Clients who pre-paid their full annual fee should have received a receipt for the balance of their fees (\$128.90) in October. All others will find the second invoice enclosed, together with a statement of account showing all unpaid invoices.

'Limited' financial planning clients will find a copy of the fee notice published in May enclosed, since not all received it at that time.

Summary of Enclosures

The following lists the enclosures mentioned in the newsletter, and identifies those which *you* should find enclosed. Please review (and reply as required) these materials immediately.

- Investment risk questionnaire
- Invoice for deferred billing
- Available meeting dates
- PFP fee notice from May 2002
- Investment report checklist

SUN	MON	TUE	WED	THU	FRI	SAT
01-Dec office closed	02-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM 05:30 PM 07:00 PM	03-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM 05:30 PM 07:00 PM	04-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM	05-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM 05:30 PM 07:00 PM	06-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM	07-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM
08-Dec office closed	09-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM 05:30 PM 07:00 PM	10-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM 05:30 PM 07:00 PM	11-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM	12-Dec in Toronto (no appt available)	13-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM	14-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM
15-Dec office closed	16-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM 05:30 PM 07:00 PM	17-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM 05:30 PM 07:00 PM	18-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM	19-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM 05:30 PM 07:00 PM	20-Dec 10:00 AM 11:30 AM 01:00 PM 02:30 PM 04:00 PM	21-Dec office closed