

10 Things You Should Be Asking Your Real Estate Accountant

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How should I structure my real estate investing business

1

...for now,

...for 5 years from now,

...for 10 years from now,

...for 20 years and beyond?

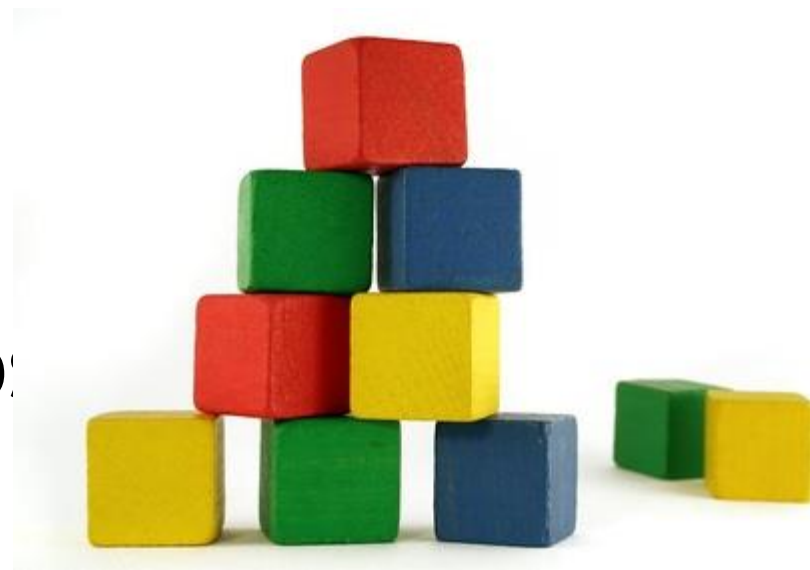
Framework

1. Flexibility of choices
2. Legal issues
3. Taxation impact
4. Financing perspective
5. Investment and business considerations



Common business structures


- Proprietorships
- Corporations
- Trusts
- Partnerships
- Limited partnerships
- Joint ventures





Why care?

- **Proper and flexible structure now saves \$**
- **Everyone is different**
- **Preparation and organization generate additional savings plus helps provide security**



How should I organize
my real estate investing
business in terms of

...record keeping

...reporting

...etc?

2



Bookkeeping through the year vs. once per year...

Your memory isn't that great

**But the CRA's hindsight is
terrific**



Your system should...

**Provide the financial information
needed to find out how
your business is doing
now**




Your system should...

Provide historic information
to help plan for the
future

Use Tech to Your Advantage

- Cloud accounting
- Bookkeeping software
- Receipt software
- Mileage tracking
- Records storage
- Passwords



How can you help me
prepare for and survive
tax season?

3

Tax season tips

- Plan in advance(not March and April)
- Tax checklists:
<http://bdoreinvestor.ca/personal-tax-returns/>

Should I take **CCA?**

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CCA for rental properties

- Only if property is profitable? Not necessarily
- Principle residence
- Classes

Land—0%

Building—4%

Fence—10% or 100%

Appliances—20% or 100%

Parking Lot—8% or 100%

Roof—depends 4% or 100%

Upon Sale

- Capital Gains
- Recapture
- Loss in a Class
- Tax brackets



CCA Considerations

- Claim in low brackets?
- Tax bracket upon selling?
- Tax free/interest free loan?
- Are you eligible to claim?

How do I transition my real estate investing business to the next generation? Or sell my business for maximum profit/minimum tax?

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Business Transition

Involuntary

- Death / Disability
- Disagreement / Divorce
- Bankruptcy / Decline

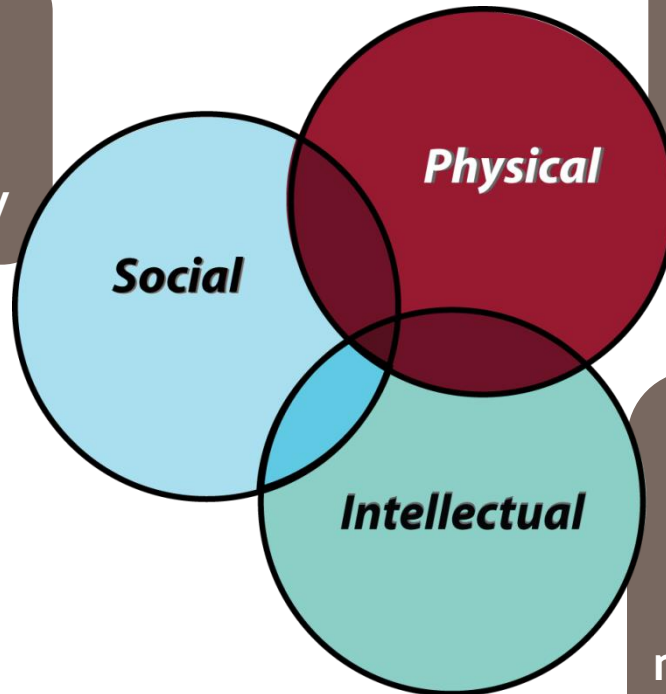
Voluntary

- Lifestyle changes

Pass to next generation?
Sell outside the family?

What Will Your Legacy Be?

Build a legacy for the future based on reputation, culture, family and community



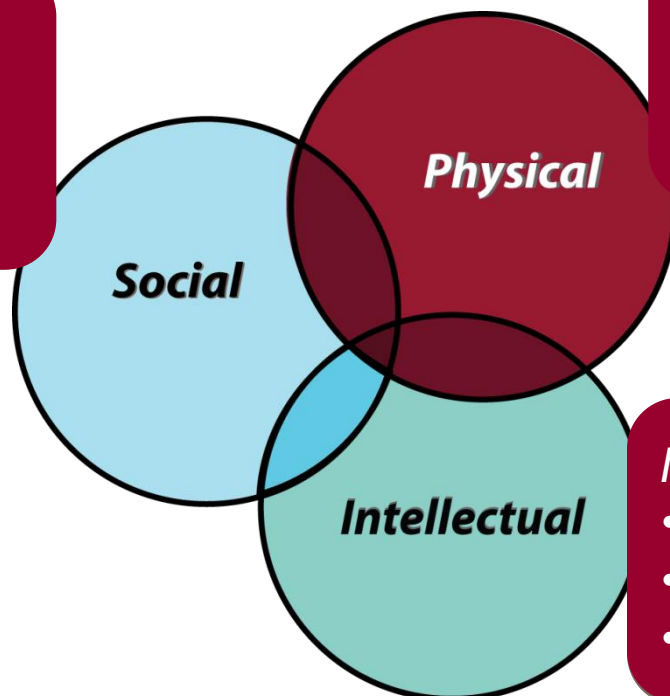
Build equity to provide for the lifestyle of current and future generations

Build a wealth engine that generates more golden eggs - Enhance leadership, management & business profitability

Invest in Your Future

Create the Legacy:

- Define your Purpose
- Align Stakeholders
- Build Connectedness




Preserve and Protect:

- Asset Protection
- Tax Management
- Agreements
- Estate Plans

Maximize the value:

- Systems and Processes
- Strong Management
- Add an Advisory Board



When should I start
estate planning and what
do I need to do?

6


The Time to Start

...is right now



Common Tasks

- Creating a will
- Establishing guardians for dependents
- Naming an executor
- Creating/updating beneficiaries
- Setting up funeral arrangements
- Establishing gifts to charities
- Setting up a power of attorney (POA) for property and for healthcare
- Implementing strategies to reduce taxes
- Creating plans for others to manage your assets and business activities



What can I do to protect
my real estate investing
business from fraud?

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Fraud Loss Statistics

- The typical organization loses an estimated 5% of its annual revenues to fraud
- Median loss is extremely costly at \$145,000:
 - Real estate - \$555,000 (2nd highest, after mining)
 - Construction - \$245,000 (7th highest)
- Over 58% of case have no recovery of losses
 - Victim organizations also suffered additional losses including project over-runs/delays, reputation harm, substandard quality of work
- Presence of anti-fraud controls reduces the fraud losses and duration of the schemes



Who is involved in real estate fraud?


- Employees (accounting, operations, sales, purchasing, executives)
- Property managers
- Contractors
- Sub contractors
- Venture partners
- Suppliers
- Consultants





Fraud Prevention

- Internal control environment
- Fraud risk assessments
- Anonymous whistle blower hotlines
- Employee support programs
- Vendor selection and review process
- Surprise audits / spot checks
- Fraud training
- Code of conduct
- Anti-fraud policy
- Independent audit of internal controls
- Use of data analytics tools



How can you help me
overcome financing
hurdles?

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Financing support

- Know the players (mortgage brokers, bankers)
- Know the trends in mortgage financing
- Know how to overcome roadblocks



How often should I be
talking to my accountant?

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Frequency

- Growth phase? 3 or 4 times a year
- Complex situations? Every few weeks
- Most should have at least 1 tax planning and 1 financial statement/monitoring meeting a year
- Key discussions for key part of your team



Do you invest in real estate?

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How to tell if you have a real estate accountant

- Do you invest in real estate?
- What kind of real estate holdings do you and your clients have?
- What percent of your accounting practice is devoted to real estate matters?

**A real estate
accountant is...**

**someone who
speaks your
language**





Bonus:

Should I tip my
accountant?

+ 1

Suggestions welcome

Absolutely...

- Dinner, scotch, golf, beer, tickets to the game, gift certificate, vacation to Hawaii, donation to a registered charity

But seriously...

- Consider the “beer test”



George Dube & Peter Cuttini...

Who are we?

- Real estate investors
- Real estate accountants
- US and Canadian tax and business advisors

How we can help

- Save taxes
- Structure assets
- Protect investments

Interested in an introductory consultation?

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Disclaimer

This presentation contains general comments and should NOT be acted upon without the advice of a qualified tax professional. While there may be similarities, every situation is different.