

Berman Glass Designs for Growth

What started as a hobby for Joel Berman more than 20 years ago has grown into a company of almost 50 people with well-known international clients such as AT&T, Cadillac and Lufthansa Airlines.

Joel Berman Glass Studios Inc. (www.jbermanglass.com) is an architectural glass art firm whose design creativity and attention to detail has attracted a long list of high-profile clients. Architects and interior designers hire the firm to create distinctive architectural features such as glass walls, sculptures and stairs in a range of textures and colours.

"We're continually expanding the boundaries of what glass art can be," says Joel. "Right now, for example, we're creating sculpted glass enclosures to hide the exterior air vents at the GAP's corporate headquarters in San Francisco. And for AT&T's corporate headquarters in New Jersey, we created glass panels that were installed as part of their landscape architecture.



The Joel Berman Glass Studios Website.

"Recently, we finished a very high-profile project replacing the original glass in the windows over the entrance doors to the Chrysler Building in New York. We had to remake the original moulds, since the German glass factory that made the original windows no longer exists. It was a challenging project that took more than three months and had to pass the approval of various heritage committees and the New York Architectural Society."

The skilled team of designers, artisans and technologists at the company's Granville Island studio can do everything from designing a project to installing it. "Ninety per cent of our work is commercial," says Joel, "and the requirements vary with each project. With more and more projects having 'green' building requirements, there's more demand for some of our unique products like recycled tempered glass."

Unique products and processes are a key part of the company's growth strategy. They have the North American rights to a transparent colouring system that is readily applicable on both a large and small scale. Other colouring processes are more expensive, requiring large projects to be cost-effective.

The moulds used by the studio are also unique. "Our moulds are permanent and repeatable," explains Joel, "meaning that we can match our glass creations 10 years from now if a client needs something replaced. Most other companies' moulds can only be used two or three times."

Joel attributes his success to a mix of artistry, technology and business sense. "I went through a lean 10 years when I first started," he remembers, "but I kept going with the support of some key clients, upgraded my skills at a glass school, and learned as much about marketing to architects and interior designers as I could from the owner of an office supply company. When the big breaks came, I was ready."

"There was a point in our growth where I realized we needed an accounting firm that would not only provide solid financial direction and advice, but have a sense of vision – someone who could see what we were doing and where we were going, and provide a second sober look. I interviewed three firms and WKM came out on top."

"One of the first thing we did for Joel's company is creditor-proof it," says partner Doug Wootton. "It's something all entrepreneurs with built-up equity in their company should do. We make sure that the owner has priority over all their unsecured creditors."

WKM also helped restructure Joel Berman Glass for maximum tax advantage – particularly in the U.S., which makes up 95% of their client base. "We brought in an associate – a U.S. tax specialist – to help set Joel up," explains Doug. "There are so many different levels of tax in the U.S. – federal, state, county and so on – and huge penalties for doing things the wrong way. A business can pay a \$10,000 fine just for not filing a form that says they're exempt from filing!"

Doug has also been a big part of the process of turning the company's basic financial information into a tool – even helping with the hiring of accounting staff. "I think of him as a key consultant to this firm," says Joel. "He's helped us grow."

When asked what the future holds, Joel talks about plans for expanding their marketing efforts in key U.S. cities and introducing a new line of glass textures. It's clear that he loves what he does. "There are no downsides to this business," he says, "we contribute aesthetically to people's environment. It's a positive place to be."

Alter Ego & Joint Partner Trusts

Today's complex family arrangements (created by multiple marriages and common-law relationships) can create many issues when preparing your will. To complicate matters, Provincial Wills Variation legislation often affects how wills are structured. Wills are frequently drafted with one eye on a client's preferences and the other eye on how a court might rule in a Wills Variation proceeding.

The Federal Government recently introduced legislation allowing persons 65 years of age and older to establish Alter Ego and Joint Partner Trusts (see definitions below). These trusts can be used to avoid the potential application of Wills Variation legislation.

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Previously, the transfer of assets to a trust was a taxable transaction, resulting in an immediate tax bill on appreciated assets and minimizing the effectiveness of such trusts.

The new legislation allows for a tax-free transfer to Alter Ego and Joint Partner Trusts. The income tax is deferred until the death of the taxpayer (Alter Ego Trust) or the last to die of the taxpayer and his or her spouse (Joint Partner Trust).

In these new trusts, your assets do not have to pass through your estate (where they would be subject to Wills Variation legislation) but can pass directly to the beneficiaries of your trust. As an added benefit, probate fees should not be applicable to the trust assets.

These trusts can be very flexible. For example, the documents can be drafted so that the trust is completely reversible. If circumstances change, the assets can pass back to you on a tax-free basis.

For more information on Alter Ego and Joint Partner Trusts ask your WKM accountant, or contact us at info@wkm.ca.

Alter Ego Trust

An Alter Ego Trust is a trust settled by an individual age 65 years or older ("the Settlor") for the exclusive benefit of the Settlor during his or her

lifetime. Other family members become entitled only after the death of the Settlor.

Joint Partner Trust

A Joint Partner Trust is a trust settled by an individual age 65 years or older ("the Settlor") for the exclusive benefit of the Settlor and his or her spouse during their lives. Other family members become entitled only after the last to die of the Settlor and his or her spouse.

Structure for Tax Advantage

The following table shows the downward trend in B.C.'s maximum personal tax rates for different sources of income since the year 2000:

	2000	2001	2002
Salary/Interest	51.26%	45.7%	43.7%
Capital Gains	38.44%	22.85%	21.85%
Dividends	34.61%	32.21%	29.71%

A tax rate of only 11% applies to capital gains taxed at the lowest marginal tax rate. You can structure your family's affairs to take advantage of this.

One strategy is to loan funds to minor children (possibly through a trust) to invest in assets that will produce capital gains. Any capital gains realized will be taxed in the children's hands at the 11% tax rate. Any interest or dividend income realized by the children on these funds will be taxed in the lender's income.

For more information on structuring your family's affairs for maximum tax advantage, ask your WKM accountant, or contact us at info@wkm.ca.



Closing Entries

New FSJ Office Location

In January of this year, we moved our Fort St. John office to the 2nd floor of 10139 101 Avenue, above the post office. The new space is larger, more attractive and more convenient – since we share the office, clients can drop off and pick up materials as necessary during regular business hours. ☎

Expanded Richmond Office

With more staff joining us this year and last, our Richmond office was getting a little cramped. Last December we expanded by leasing the offices next to our existing one. If you haven't had a chance to tour the new area, please ask your accountant for a quick tour the next time you're in. Or, you can take a quick tour with our "virtual office" on our Web site! ☎

New Web/E-mail Addresses

In response to the recent "dot-CA" rule changes, we were able to register the domain name www.WKM.ca, to replace the old www.WKM.bc.ca. Our e-mail addresses have also changed – the @wkm.bc.ca has changed to @wkm.ca. The old Web and e-mail addresses will continue to reach us for the rest of 2001, but please update your shortcuts and address books if you haven't done so already. ☎

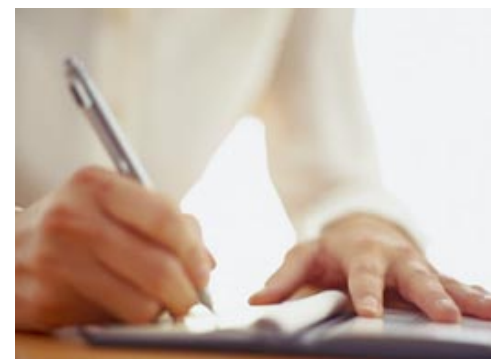
New Tax Rates

With a new government in B.C. comes new personal income tax rates. For a summary of the changes, and a detailed chart of the new rates (and proposed 2002 rates), please visit the "What's New" section of our Web site (<http://www.wkm.ca/new/>). ☎

Developing Professionals

At WKM, we encourage our team members to invest in their careers.

We would like to congratulate Bonnie Merlo for her hard work on obtaining her CGA (Certified General Accountant) designation. Bonnie has recently successfully completed her final exam - the final step for her designation.



We'd also like to extend our best wishes to Robert Kaufman and Ashwin Maharaj who have spent their summer preparing for and writing the Canadian Institute of Chartered Accountants' Uniform Final Exam ("UFE") – their final step toward obtaining their CA designations.

In addition, WKM would also like to offer our strong encouragement to both Michelle Reynolds and Elaine Roman as they begin the process of registering for and completing their CMA (Certified Management Accountant) designations. ☎

WOOTTON
KING &
MULHERN
CHARTERED
ACCOUNTANTS*



WKM Celebrates 10 Years!

Nigel King likes to joke that when WKM started back in 1991 they had a telephone, one folding beach chair and three staff – Nigel, Doug Wootton and Doug's wife. Since then they've grown to an office of 17 people serving clients throughout the Lower Mainland and in Fort St. John.

"Before we formed WKM" says Doug, "Nigel and I ran a practice in Richmond for a large, international accounting firm. For us, the most interesting part of that practice was working with entrepreneurs in a hands-on way. So when we established our own firm, we focused on offering high-quality accounting services to owner-managed businesses.

"When we started, most of the firms we were competing against just did financial statements for their clients – that was the extent of their involvement. Often, a business owner had only their spouse to discuss ideas with – particularly in the start-up phase. They were receptive to an accounting firm that was interested in helping them grow their business."

The next step was to add an in-house tax consultant and in September, 1991, Ron Mulhern brought his practice to their office – joining as a partner in February, 1993. The trio stayed true to their original focus and it has paid off. "In the last year we've grown 25% — our challenge is to control our growth so that our clients still receive the same level of personal service they've become accustomed to over the

years," says Nigel.

One of the ways WKM has been able to maintain their level of service through a period of strong growth, is by using technology. WKM's newest partner, Scott Armstrong, explains, "New advances in accounting software have meant that we can spend more of our time on the specialized services clients expect, and less on bookkeeping and filling out forms. Where the bookkeeping in a year-end file may have once taken 50 hours to complete it now takes five or ten, and we can devote more time to identifying business trends hidden in the financial results."

"It has also meant that we can keep on top of all the changes in our industry," adds Ron. "Tax legislation, for example, now changes at a tremendous pace and volume – the latest collection of amendments to the Income Tax Act is 442 pages long with 700 pages of explanatory notes. If we were still researching everything manually, we'd have to have a team devoted just to research – fees would go up.

"Last year, the government reduced the inclusion rate for capital gains three times – the things we were required to do in that tax return we couldn't have done without technology. Now I devote more of my time to tax planning and let the software do the calculations."

Technology and increased client expectations are the two biggest changes the partners have seen over the past decade. "We do much more sophisticated work for clients now and they expect it as the norm," says Doug. "Fortunately, it has always been our approach to anticipate our clients' needs and stay at the forefront of changes in the industry."

Long-term clients of WKM have benefited from this approach. Their corporate structures are organized to take advantage of tax law. They've done the tax planning required for acquisitions and disposals, established family trusts and planned their estates. For these clients, the focus is on providing them with financial advice for their day-to-day business: creditor-proofing, income-splitting, stock option plans, financing issues and, of course, dealing with ever-changing tax regulations.

Most of WKM's new business comes from recommendations by contented clients like these, and from colleagues such as lawyers, bankers and bookkeepers. At the end of the day it's those contented clients that seem to mean the most to the partners. "We wanted to build something that we were proud of" says Doug "and we have." ☎

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