



# Securing Your Financial Health - Payroll

By Dr. Linda Hancock

## ABOUT THE AUTHOR

Dr. Hancock has written a regular weekly column entitled "All Psyched Up" for newspapers in two Canadian provinces for more than a dozen years. Over the years, her readers and clients have said that they have benefited from her common-sense solutions, wisdom, and sense of humour. Dr. Linda Hancock, the author of "Life is An Adventure...every step of the way" and "Open for Business Success" is a Registered Psychologist who has a private practice in Medicine Hat. She can be reached at 403-529-6877 or through email [office@drlindahancock.com](mailto:office@drlindahancock.com)

## Published

September 14th, 2009

Performing payroll activities can be a very difficult task. I remember working in a nursing home where there were about 50 staff, each with different rates of pay, hours and benefits. It was horrible! I now have a beautiful and simple program that practically runs itself!

You are likely the only person in your business who has a full-time salary with benefits. I have always paid myself as though I was an employee so that I would have a regular income, accurate records and the ability to contribute to government pension programs. Besides it feels good to get a regular cheque! The business classes my salary as an expense. The only thing that I do not pay is Unemployment Insurance contributions because I would not be entitled to file a claim at any time due to the fact that I actually own the business.

By setting up the Payroll Program to issue a cheque for me every second Friday, I receive 26 cheques per year. In the early years or in times when I have extra expenses, I might print my cheque but not cash it for a couple of days. That way, the business has a little leeway, but the paperwork is accurate.

Remittances for Income Tax and government pension must be paid either monthly or quarterly (as defined by the government). Penalties can be levied for late payment.

You can work with your accountant to determine if adjustments should be made to your source deductions. You can increase them to avoid having to pay additional taxes at year end or decrease them to allow for RRSP contributions or additional deductions.

Having salaried employees is a very expensive proposition and I discourage it. A full-time staff member gets paid even if you are away from the office. You are also required to pay employer contributions for them which usually adds at least 17% to your expenses. Holidays and sick leave are paid even though you do not have productivity during those hours.

I prefer to hire contracted employees who do not receive any benefits. They submit timecards only for the hours worked which are defined by you and can therefore be controlled.

One of the benefits of owning your own business is that you can hire family members for tasks. The double benefit is that they have some income, and you have a write-off for income tax. Win/Win!

Government policies and procedures usually change each year as do Income Tax laws. It is therefore important that you have a good accountant and software program that will update you and help to make the necessary adjustments as they occur.