

## No Helmet

It wasn't something out of a Norman Rockwell painting. It was, after all, the 70's, but the sentiment was the same. We were Rockwellian boys, but with bellbottom jeans and hair, lots and lots of hair, a pocket jammed full of strawberry marshmallows, a dirty face, and maybe a little dried blood on some exposed skin here and there. Road rash.

An old piece of plywood, front and back wheels of a broken little red wagon, along with a few little pieces of hardware can make a pretty functional soap box racer. Cut a hole somewhere near the middle of the board, and rig a short 2x2 pivoting on a secured piece of rebar. Pull the stick backward, and the other end drags on the ground. That's your break. But breaks are for wimps. Once the wheels were on it was time to let it fly.

And if rolling uncontrollably down a hill wasn't thrill enough, then adding a jump somewhere near the bottom helped revive the excitement. No helmets. Usually no breaks, and no traffic control. Kick the loose gravel off the road and... "Gerrrrrr-ronimo!"

Be it the thrill of the ride, or just a keen sense of adventure, I don't know, but one of my clients was in a rickety student car with his pal some 50 years ago near the UBC campus they both called home that semester. His buddy was going to stick it out, finish school and see where it took him. In fact, he ended up in school for a very long time, and eventually stayed there and taught forestry. He is retired now, with a comfortable pension, a respectable Vancouver area home and legacy.

My client, on the other hand, headed to Prince George. One thing led to another, and he found himself married with children, ranching, logging, and living his dream, off-grid, way the heck in the bush about 50 miles from nowhere. He is retired now too. No pension. No degree. Little renown. But a handsome sum invested in lieu of a pension. That money is his pension, and not an insubstantial one. It is the sum total of so many cold winters on the range, wondering if his stack of batteries could handle the weather. Some would call the rancher wealthy, but spreading out his wealth over the remainder of his life is roughly equivalent to the professor's pension, so financially, if you do a little math on both men, they are arguably about as well off as one another.

The professor was an employee, and the rancher an employer.

Tax incentives in most jurisdictions recognize the value entrepreneurs bring to society. These incentives reward risk-taking behavior because we value the jobs that come out the other end of the sleepless nights of worry the small business owner takes on when they mortgage their future on a dream. Like some boy on a soapbox racer – no helmet, dirty face, scraped elbows, and maybe a few too many bumps on the head, they roll, and they crash, and they.. "Gerrrrrr-ronimo!"

So when the federal government floated the latest round of "tax fairness" measures, a few industry watchers responded negatively to the idea that tax treatment for the professor and the rancher should be somehow levelled.

RBC Wealth Management published a position piece, carefully neutral, but explaining the changes last week, noting that:

"The goal under the (proposed) new system is that the value of the after-tax portfolio of a business owner investing through their corporation would be equal to that of a salaried individual taxed at the top personal income tax rate who invests in a personal savings account."

That might sound egalitarian on the surface but, in an interview with Wealth Professional, Jason Pereira, Senior Financial Consultant at IPC Securities Corp wonders out loud why on earth we would want a level playing field with taxes, when there is nothing level about the risks taken on those journeys, and the societal rewards associated with entrepreneurialism. He said:

“Something like 48% of the labour force in this country work for a company of less than 100 people, which were started by people who took an enormous risk with their financial future. The average entrepreneur is not earning much more than the average non entrepreneur, so these tax saving strategies helped to support their ability to work long hours and late nights.”

Pereira goes on: “How many times are they going to kick business owners and entrepreneurs in the teeth in the next couple of years? The term ‘fair’ is propaganda.”

Financial analyst, Tim Cestnick, notes: "It appears that the government believes that having more money working for you today, if you have a corporation, is offensive."

Today the rancher and the professor are old pals. Both have most of their worries behind them, other than the nagging aches and pains associated with their stage of life. Their grandchildren, on the hand, may never know the thrill of stepping in to a dream and shouting: “Gerrrrrr-ronimo!”

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