

# The Munro Letter

## INDEX

### MANAGEMENT

Your Past Is In Your Future

### MONEYSAVER

Opportunity Cost: The Error of Our Ways

### TECHNOLOGY

The Tablet Wars

### LIFE MANAGEMENT

Insuring Your Children

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### LIFE MANAGEMENT

## Insuring Your Children

The value of insuring your children can last a lifetime.



Life insurance is traditionally purchased by adults to cover the catastrophic loss of one of the income producers in the family. Upon the death of the insured, the insurance company pays out money to pay off existing mortgages, credit cards or lines of credit, pay for funeral expenses or provide adequate principal to allow the survivor to support the family.

Insuring a child's life goes somewhat against human nature because no one likes to think their child may die and from that death there may be financial reward. But, if individuals can put aside the emotional aspect of insuring children, they may find it not only makes economic sense but may be one of the best investments for the child's future.

### Many More Health Risks Today

Today's children travel more than their parents did when they were children, are exposed to a multiplicity of cultures, ingest products and use items made with synthetic compounds that were not available in the past. They are subjected to more pollutants over a longer period of time and from a younger age. There is no guarantee that today's healthy child might not be incapacitated by cancer, asthma or a life-altering injury.

Purchasing insurance at a young age before mishaps occur that may make the child uninsurable as an adult will, under most circumstances, guarantee insurance will be available in the future. Most insurance companies have policies that include insurability riders that permit the child to upgrade coverage without a medical.

If your child waits until 21 years of age to purchase a policy and is required to take a medical they may discover they are uninsurable. The consequence of being denied insurance coverage is life altering as it makes it difficult to insure a mortgage loan, provide for dependants and in some instances may limit the benefits available in employment.

The probability of a child dying is statistically low. Nevertheless, should the child die, even a small death benefit would provide financial assistance for funeral arrangements at a period in life when most families are struggling with mortgage payments and the other costs of living.

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*The child rider usually expires at the age of 21.*

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## **Types of Insurance**

Ask your insurance agent about the following:

**Child Rider:** This is added to a parent's life insurance policy and is the least expensive means of insuring children. The policy payouts are minimal — in the \$10,000 to \$25,000 range. Depending upon the insurer, it may be possible to insure all the children in the family for the same payout amount for a single premium.

The child rider usually expires at the age of 21. However, policies may have provisions that allow the child insurance to morph into a stand-alone policy for the new adult. This has the great advantage of not requiring a health examination to determine insurability.

**Whole Life or Universal Life:** This type of policy insures your children's lives. Each child would have their own policy for life regardless of how long they live. Premiums are split between premium amount and investment to enable a cash surrender value to accumulate. Do not count on this policy to pay for the child's higher education. Low returns on the small premiums invested will only provide enough savings to defray some of the education costs. And, of course, they will be able to draw on the cash surrender value of the policy if funds are required.

**Term Life:** Term life is the most inexpensive policy on the market. There is no cash surrender value. The cost for insuring a young child for \$250,000 could be as little as \$20-25 per month. Why should you purchase such a high amount of insurance on your child? Consider that when the child comes of age they can take over the policy at its face value and will not have to worry about whether insurance can be purchased.

## **You Should Know**

Children's plans with a base face value and a premium fixed for an established term can be put in place from the time the child is 14 days old up until 12 years of age. The policy's face value will increase without an increase in the monthly premium. For instance, a policy with a face value of \$35,000 would increase to \$70,000 when the child reaches 21. Until 28, the young adult has the option of increasing the insurance to \$350,000 without a medical exam.

This policy provides a cash surrender value from the commencement date to either the date of death or the date the policy is cancelled. The cash surrender value for the \$35,000 option from the age of one to 21 could be in the \$7,400 range. In that the premium cost for this policy is about 31 per month over a 20-year period, the cost of the insurance is offset by the cash surrender value available. Call Your Agent

Surprisingly, the number of insurance companies that provide specific information about children's life insurance on the Web is minimal. Combine that with the fact the insurance that may be offered can change depending upon your province or territory of residence, it is in your best interest to contact your insurance broker and have a serious talk about any insurance available for your children.

### **Tax Consequences**

Premiums paid for insurance coverage are not tax deductible. Proceeds from insurance policies are not taxable in Canada. Amounts borrowed from the cash surrender value are not considered income and therefore are tax free.

### **Your Children Will Thank You**

Life insurance for your children may seem a thankless gift your children will not fully understand until they mature. At some point down the road, when they purchase their first house, get married, or bring their first child into the world, they will understand the importance of what you did so many years ago and say thank you.

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## **TECHNOLOGY**

# **The Tablet Wars**

## **Rumours of the demise of the laptop are greatly exaggerated.**



With the popularity of tablet computers and more talk about how the post-PC era will change the way we communicate and do business, some people suggest the days of the laptop are numbered. While this may happen some day, it's worth noting that desktop computers are still being sold and continue to be very much used in offices and homes.

The forecasted death of the laptop is no doubt overstated. Certainly the tablet is making inroads but, rather than seeing the tablet as a potential replacement for the laptop, the more appropriate question might be: "Will we be able to effectively integrate the tablet into our business?"

### **What Makes a Tablet a Tablet?**

Although a tablet is certainly a mobile computer, the hardware, software and physical shape of tablets make them ideally suited to some tasks and rather poorly suited to others. Much like smartphones, tablets are at their best as a highly mobile supplement to the capabilities of a desktop or laptop. Before investing in tablets for your business, you should first consider how you work. Which of your tasks requires mobility? Your need for mobility will largely determine your need for a tablet. And mobility doesn't mean just when you are physically on the go.

## Hardware Considerations

Tablet devices are a distinct category of computer that falls somewhere between smartphones and laptops and shares features of both. Like smartphones, the main user interface is a touch screen. Displays range from 18-26 cm (7-10 inches) in a slate form, so-named for its general resemblance to once-common writing slates. Similar to computers, pricing on tablets ranges from under \$300 to over \$800, though most are priced in the middle. The lightest weighs 340g (0.75 pounds) and the heaviest around 960g (2.1 pounds) - larger than a smart phone, but still considerably lighter than the average laptop.

If you're on the move, battery life is a major consideration since maximum times range from merely four hours to as many as 10 hours. Unlike traditional laptops where a faster processor or more functions may reduce battery life, often the higher-end tablet models provide the longest battery life. If you're out of the office a lot, higher battery capacity should be at the top of your list. Depending on your travel and usage habits you might want to start your day with a full charge, as some of the most popular models do not have replaceable batteries.

## Connectivity

Nearly all models include WiFi and Bluetooth for wireless Internet access and accessories; if you're planning to use your device mainly in the office, other areas with WiFi, or tether to your smartphone may be sufficient. For more reliable Internet access anywhere, many tablets support a high-speed 3G or LTE cellular data service; this feature will need a data plan and will cost a bit more upfront. Your cellular provider may offer discounted devices with a contract similar to that for mobile phones. For presentations, support for HDMI and VGA output should be essential.

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## Data Entry

Tablets are generally better suited to more passive activities like email, web browsing, presentations and other apps that don't require significant data input, since most data entry relies on a virtual touchscreen keyboard or a simplified interface with large finger-sized buttons. For spreadsheets and word processing, a tablet is great for viewing, presenting and even making simple changes; however, entering larger amounts of data can be tedious using the virtual keyboard. If you sometimes need to create and edit documents, and are able to be stationary while doing so, you'll likely want a physical keyboard.

## Storage

Tablets have considerably less storage space than typical computers since they use smaller, power-saving Flash memory rather than a larger hard disk. Consider the kinds of documents you work with. For most business applications, if you're storing an assortment of documents, spreadsheets, images and presentations, an entry-level device with 16 GB storage might be enough, although for greater storage needs 32 GB and 64 GB are also commonly available. If you work with videos or high-resolution images, or if you plan to store any personal content like music or videos, you should take this into account before you buy – these can soak up your storage very quickly. Not all models include an expandable storage option.

## **Audio/Visual**

Many tablets come with gorgeous screens that make images come to life; this is great for presentations with smaller groups. Audio, on the other hand, is not a strong point with tablets and therefore sounds and conversations are likely to sound tinny. If you need higher-quality audio from your tablet but within its limitations, invest in some decent headphones; your own ears and anyone within earshot will thank you.

While nearly all devices include a camera, taking a still image or video can be awkward given the size of the device. However, for business the bigger screen makes mobile video conferencing with clients, vendors and business partners more useful when compared with a smartphone.

## **Apps**

Most tablet platforms have thousands, if not hundreds of thousands of applications (apps) available. Your business will likely only need a handful of apps. It's a good idea to make note of the documents and functions that will be needed on the go, review the apps that are available for the platforms being considered, and determine those that may offer advantages to your business.

## **Compatibility**

Software compatibility is critical for business. Most companies rely on the Microsoft Office suite. Each major platform has a productivity suite available that is generally capable of reading and editing Office documents. Compared to a desktop suite, the mobile versions used on tablets tend to be simplified and therefore may not be capable of all the functions you're used to on a PC. Additionally, there may be other limitations introduced by cross-platform compatibility; unsupported functions and formatting, such as macros and fonts, may be lost or substituted when importing a file for editing on a tablet. While moving content between various PC and mobile operating systems and applications is much easier than it was in days of yore, it is still not seamless and will not necessarily work with the same ease as with the desktop version that created it.

## **Final Words**

Tablets may cost more than an entry-level laptop, have a smaller screen, less memory and storage, the slower "mobile" CPU more common in cell phones, no optical drive, no keyboard and the mobile operating system is almost certainly different from the one running your computer, which means you need different software. In exchange, you may get longer battery life and a simplified, easier-to-use interface that's more like your smartphone; unlike a phone, the bigger screen actually lets you get some work done on the go. Since a tablet is substantially lighter than a laptop, and doesn't come with a bulky bag and power brick, you're more likely to actually have it with you. Tablets are not perfect or suitable in all cases, but may actually be better in others. Before taking the plunge, be sure to assess your requirements to see if a tablet will augment or enhance your business processes.

# Your Past is Your Future

**Before starting your own business, make sure it suits your personality traits.**



Statistically, three quarters of small business start-ups survive the first year but less than 30% will be in business after five years. Data suggest most new businesses fail because of lack of cash flow, poor sales records, poor marketing skills or inept management. These reasons do not tell the entire story. How do they explain that many organizations in business longer than five years still demonstrate traits more usually associated with start-up failures?

“The child is father of the man,” wrote William Wordsworth in his 1802 poem “The Rainbow”. There is little doubt the decisions an individual makes depend upon the personal attributes and values acquired as a child. To ignore these values and start a business that goes against them will

make success difficult. Thus, starting a business encompasses more than financial logic; hopeful entrepreneurs should look at their business start-up choice in much the same way they would consider a career change.

## **Be Realistic**

Consider your interest in the project, the level of your skills, your experience (both academic and practical), familiarity with the business and the community in which you want to locate your business. This is necessary to determine whether your business is truly a good idea or whether it is based on the shaky premise used by many: “If I build it, they will come”.

## **Values**

Identifying your value system is essential. Think about your work ethic, your views on integrity and honesty, your need to satisfy financial and material instincts, in addition to family, community and religious values. Your value system drives your everyday actions and will be expressed and amplified in your business. Introspection will reduce the anxiety of whether the business choice made will undermine your fundamental values.

## **Personality Traits**

Understanding your personality traits is essential to determining business areas of interest to you and may also help predict the likelihood of success. Self-assessment tests are available on the Internet. You may want to interpret the results and discuss them with a trained psychologist, which will reduce personal biases and provide positive insight into areas you could explore further. These tests can also show areas where a person with your traits would probably not feel comfortable.

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*Think about your work ethic and your views on integrity and honesty.*

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## **Ask Yourself**

Being self-employed, whether you work alone from home or are an owner-manager with employees, can be overwhelming when you realize responsibility for success rests on your shoulders alone. But, if you choose a path that does not meet your personality's needs, the trek to success will be arduous. Ask yourself:

- Do you need to feel you have accomplished something by the end of each day?
- Are you better suited temperamentally to variety or routine?
- Do you ride high in the blue sky of optimism or in the overcast sky of pessimism?
- Are you a take-charge, responsible kind of person?
- Is recognition by your peers, your community or your clients essential?
- Do you work better alone or collaboratively?
- Are you a people person?
- Is detail your forte or are you more of a conceptual thinker who leaves the detail to others?
- Do you find yourself excited by new ventures that challenge, or do you prefer the familiar?
- Are you better suited to a nine-to-five, organized work environment or do you prefer to work as needed within a somewhat chaotic, high-pressure environment?
- Do you feel at ease dealing with the public or are you better suited to deal with small groups or individuals?
- Is your definition of your own success dependent upon how much money you make or is it measured in job satisfaction?
- Do you require a familiar home base or can you move your operations or travel to a more promising environment?
- Are you able to work in a small stand-alone environment or are you more comfortable with a support network?
- Can you handle criticism by staff and peers and still move on your convictions or do you need to appease everyone?
- Do you need the security of a known income stream or can you live on the edge of financial uncertainty?
- Are you self-disciplined enough to apply yourself or do you need third-party persuasion?

## **Can You Beat the 70% Factor?**

The inability of 70% of start-ups to survive more than five years is significant. Certainly, poor financial planning, lack of cash and erroneous marketing projections contribute to failure but they don't necessarily tell the whole story. Maintaining a new business may be difficult when the failure to match the business to the personality traits of the owner-manager prompts burnout, stagnation and a general desire to quit because the business is not satisfying personal needs. As corporations continue to downsize and traditional career paths fade away, the success of those building their own future through self-employment may well lie in matching strengths and weaknesses with a business venture built on similar values.



## Opportunity Cost: The Errors of Our Ways

**Time is valuable and money is wasted when time is not used productively.**



A lot has been written about time management; most of it focuses on the need for planning budgets, managing tasks and setting time lines for meeting goals. These are all good ways to increase productivity in your owner-managed business; however, these techniques don't address the prime reason time is wasted: human nature does not easily lend itself to self-discipline.

Establishing good work habits and tweaking existing ones will improve productivity and can be significant money savers. Make your business more productive, and your day less frustrating by trying these time-saving suggestions.

### One

Log the kilometres driven and the destinations every day. Whether you use pen and paper, your laptop or smartphone calendar, this habit will save you time and frustration at month's end when you have to provide your mileage report. You can print out the calendar for the accounting department. This ensures proper records for reimbursement, allocation to client accounts and calculation of HST and Input Tax Credits (ITCs).

### Two

Design a spreadsheet that categorizes expenses and ties them into your general ledger chart of accounts. Enter each expense separately on the spreadsheet under the specific category. Each line should describe the expense and indicate the total of the invoice. Set up a formula that calculates the HST/GST. Have each category total the HST/GST and the expense amount. Print out the summary at the end of the month. Attach the form to an envelope full of receipts and provide it to your bookkeeper. The bookkeeper can post the totals beside the general ledger account number.

### Three

Why do you always find what you were looking for in the last place you look?

Searching for misplaced files wastes time. When the task is finished, put the files back where you found them. Create paper or electronic client and sub-category folders so you can search both by client or vendor name and by some other category such as "Invoices". When documents are received by email, mail or flash drive, file the data immediately. By having all staff follow the same filing system for manual and electronic data, finding and updating the file should be a breeze.

Wherever possible scan hard copy documents and place in the appropriate client folder.



## **Four**

Having to wait for parts or data to complete jobs not only delays other projects but duplicates process when data needs to be rechecked because of the delay. Wasted time can be reduced if the start time can be postponed until all parts or pieces of information have been received. Make comprehensive notes to record what has transpired. Before the project is shelved, make a “to do” list of outstanding work that will need to be done to kick start the project when it reopens. This list may provide evidence in a lawsuit in the event that an important step was missed because someone thought it would be done later.

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*Save time and make your business more productive.*

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## **Five**

Open and read all electronic and paper mail when received. Decide what to do with it. Merely looking at the email then closing it or just leaving the paper mail in your inbox means you have to deal with it again later thus handling it twice. Read it, file it, or trash it.

## **Six**

To reduce the number of times clients or goods don't show, call the client or supplier to confirm everything is on schedule. Establish when making the initial appointment or placing the order whether confirmation will be by email, telephone, text message or cell phone. This establishes the importance of the client or the urgent need for the part while eliminating wasting time checking email, telephone or cell phone messages.

## **Seven**

Single trips to complete just one task are a great time waster. Organize and schedule trips to pick up as many things as possible at the same time. To avoid the “Oh, I forgot to...” syndrome, establish a routine for completing any task. It may, for instance, be better to pick up the mail and do the banking every second day. Make a list of needed parts or supplies that can be picked up in the same locale at the same time.

## **Eight**

There are times when we must mull over a project to ensure all issues have been considered before we act. When frustrated with a difficult project, fill the time with mundane tasks that must be done. Catch up on your paperwork or do the maintenance on the front-end loader. The distraction allows you to regroup your thoughts while moving forward with areas that must be taken care of. Be careful not to put off the real task indefinitely, however, by continuously substituting other jobs.

## **Nine**

Minimize social interaction with other staff members. Certainly we all want to know “how the weekend went” but those questions should be saved for scheduled break times. Avoid extended telephone conversations with clients or suppliers that have little to do with business. Five minutes lost with 10 contacts every day for 250 work days runs to 208 hours a year -16 eight hour working days - almost a month.

## **Ten**

Schedule meetings near the end of the work day. People want to leave at a regular time to catch a bus, train or carpool ride on time. The end-of-day time constraint will ensure the agenda is dealt with efficiently. Any unresolved issues can be dealt with at the next meeting.

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### **Disclaimer:**

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