

Business Planning for Woodlot Owners

Proper Planning Prevents Poor Performance



- Cash Flow Planning
- Tax and Estate Planning



Cash Flow Planning



It all starts with the management plan!



Cash Inflows and Outflows



Operating Cash Flows

- ▶ Revenue collected
- ▶ Expenses paid
- ▶ Income taxes



One chance to harvest timber ...



Financing

- ▶ Debt proceeds
- ▶ Debt repaid
- ▶ Owner's contributions
- ▶ Owner's draws



Investing

- ▶ Purchase of property and equipment
- ▶ Sale of property and equipment



Cash Flow Projection

- ▶ Operating
 - ▶ Revenue
 - ▶ Less expenses
 - ▶ Less income taxes
 - ▶ Total cash flows from operations
- ▶ Financing
 - ▶ Debt proceeds
 - ▶ Less debt repayment
 - ▶ Owner's contributions
 - ▶ Less owner's draws
 - ▶ Total cash flows from financing
- ▶ Investing
 - ▶ Proceeds from sale of property and equipment
 - ▶ Purchase of property and equipment
 - ▶ Total cash flows from investing
- ▶ Beginning cash
- ▶ Ending cash



Frequency

- ▶ 5 years
- ▶ Monthly
- ▶ Weekly

Cash Flow Scenario Analysis

What happens if...	
I do the work myself?	I get someone else to do the work?
I cut the timber this year?	I cut timber in 5 years?
I use my savings to purchase land?	I borrow funds to purchase land?
I buy more land?	I sell a parcel of land?



Tax & Estate Planning

What are your goals?

How are you going to get there?

Intergenerational Transfer

- ▶ Management plan
- ▶ History of woodlot management
- ▶ Commercially viable



Incorporation

- | | |
|--|--|
| <ul style="list-style-type: none">▶ PROS▶ Tax efficient method to grow a business▶ Smooths income tax bills and mitigates bracket creep▶ Freezes value and passes growth to the next generation▶ Mitigates liability exposure▶ Addition of trusts can be used to eliminate probate taxes | <ul style="list-style-type: none">▶ CONS▶ Cost to setup and maintain▶ Deed transfer tax (maybe) |
|--|--|



Estimate Estate Income Tax Obligations

- ▶ How can you minimize tax?
- ▶ Do you have liquid assets or life insurance to fund it?



Wills are Crucial!

- ▶ You determine how your estate gets administered
- ▶ Revisit your will frequently or if there is a significant change in your life



Have a Good Team

- ▶ Make sure you have professional accountants and lawyers that understand your wishes and specialize in estate planning
- ▶ Money spent now can preserve wealth for your family
- ▶ They can help implement your plan efficiently



Any Questions?


