

SecuraEdge Financials (Skand Mittal)

Here's a step-by-step action plan to get out of "The Dividend TRAP"

Step 1: Analyze Your Personal Spending & Create a Budget

1. **Track Your Expenses:** Review your personal spending habits for a month. This includes everything from fixed costs (e.g., rent, utilities) to variable expenses (e.g., groceries, entertainment).
2. **Create a Budget:** Break down your income and expenses. Identify essential vs. non-essential expenses.
3. **Determine Areas to Cut Back:** Pinpoint where you can reduce spending. It may be uncomfortable, so seek advice from a financial advisor or accountant if needed.

Step 2: Pay Yourself a Fixed Salary

1. **Set Your Salary:** Based on your personal budget, determine a fixed monthly salary you can afford.
2. **Sign Up with a Payroll Provider:** Choose a payroll service to handle tax calculations and withholding.
3. **Ensure Proper Tax Remittance:** The payroll service should remit taxes to the CRA (Canada Revenue Agency) on your behalf.
4. **Stick to Your Salary:** Only draw what you need to live and avoid paying yourself more than your budget allows.

Step 3: Re-Evaluate After Resolving "The Dividend Trap"

1. **Assess Your Financial Situation:** After you're out of "The Dividend Trap," consult your accountant or financial advisor to review your salary and overall finances.
2. **Adjust Pay Structure:** Based on your financial health, consider increasing your salary and reducing dividend payouts if applicable.

Step 4: Addressing The Dividend Trap (if Applicable)

1. **Understand the Impact of Tax Bills:** If you're paying off last year's tax bill while in "The Dividend Trap," you may face the challenge of paying two years of taxes in one.
2. **Gradual Transition Plan:**
 - **Year 1:** Pay yourself a combination of salary (40%) and dividends (60%) to manage your taxes.
 - **Year 2:** Shift to a higher salary and lower dividends, such as 75% salary, 25% dividends.
 - **Year 3:** Move to 100% salary once you're caught up on taxes and financially stable.

Step 5: Increase Business Income or Reduce Expenses

1. **Increase Sales:** Implement strategies to boost revenue, such as attracting more customers or upselling current clients.
2. **Cut Business Expenses:** Identify areas where your business can cut costs without sacrificing quality.
3. **Freeze Personal Spending:** To free up cash for business expenses and your financial plan, avoid unnecessary personal purchases.