



RBC Starting Your Business Guide





Making your business a reality

This guide is split into 6 sections;

- Making sure your business idea will fly
- Finding the money to start
- All the legal stuff you need to know
- The best ever business plan
- Keeping control of your cash
- Help and advice

For additional advice on starting your business, visit any RBC Royal Bank® branch – find the nearest one at rbcroyalbank.com.



Section one

Making sure your business idea will fly

Before you start operating, check the feasibility of your idea.

1. Develop your competitive advantage

What are the core products and services that will underpin your business, and are you significantly better than the competition? Or is there a gap in the market that you've identified that no one else is filling?

What is your key advantage?

Why are you better, or different, than your main competitors?

Think about how you can differentiate yourself such as:

- Provide a new product or service that isn't offered anywhere else
- Find a great location, excellent for customer convenience and traffic
- Employ friendly staff that are well known in the industry and potentially have a number of customers that will follow them to your business
- Offer online services like ordering, customer tracking, industry news, social media updates
- Develop a reputation as the expert so customers want to be associated with you

- Form strategic alliances: key partnerships with other businesses that you can bring to the table
- Concentrate on convenience: you'll deliver, do it sooner, travel, have parking, use technology to track orders

2. Identify your target customers and their needs

If you have a clear idea of who your customers will be, it will be easier to position your product or service for this particular group of people or businesses.

The best customers will:

- Understand of the value of what you offer
- Have the highest potential for sales growth
- Be loyal, return again and again, refer business and pay on time



TIP: It's better to have 3-5 clear customer targets that you can focus on, rather than trying to sell to everyone.

3. Conduct market research

Understand your market and how your customers will perceive your business. Find out some of the fundamental information about the market you will operate in:

- What is the size of the market, and what percentage of sales do you think you'll get?
- Who are the key competitors in the market?
- Where are most of your customers, and are they easy to communicate with?
- What will customers pay, and can you make a profit?
- How will customers want to pay you?
- How do customers want to receive their products and services?
- What support do customers expect?
- Can you get the right suppliers?

Answering these questions will help you start to build the idea of your business model and determine whether you can deliver what your customers need.

4. Your business model

Your business model is the distribution or selling method that outlines how you intend to go to market.

Examples of business models:

- **Retailing:** You buy products from a wholesaler, add a margin and then resell them. Retailing usually involves having a physical storefront but can also include an online store.
- **Online trading:** You buy and sell online without any physical premises. If you sell to the end consumer, it's a variation of retailing.
- **Construction:** You contract to build a structure by providing an estimate or submitting a quote in a tender process, or you may sub-contract to a larger business.
- **Wholesaling:** You import products, add a margin and then resell them to retailers or suppliers.
- **Franchising:** A franchisor sells the business concept to you, the franchisee, and you buy into the brand and operate the business under the guidelines of the franchisor.

Six low-cost ways to research your market

1. **Search for industry information.** Look online, such as on the websites of Statistics Canada, trade associations, Industry Canada, or attend events, conferences and talk to other business owners.
2. **Survey potential customers.** Walk around the neighbourhood where you'll be operating. Ask potential customers what they like and dislike, and how they make buying decisions.
3. **Talk to experts.** Consultants, professors, journalists and experts are constantly writing white papers and commenting on specific industries.
4. **Seek intelligence from non-competing markets.** Study companies with similar products or services in other cities or countries.
5. **Study your competitors.** Look at their ads, examine their websites, check out their products and in-store displays, sign up for their e-newsletters.
6. **Talk to suppliers.** While you may not learn any trade secrets, their conversations could provide valuable insights into the industry as a whole.

- **Software:** You either provide software and customers pay you a one-time fee, or they pay a licence/subscription fee to access the software on a regular basis.
- **Manufacturing:** You buy components and assemble/create a product(s) and then sell it (them) to a distribution network.
- **Professional services:** You provide specialist services to customers who pay you for your expertise.

Other business models include:

- **Licensing:** you own the intellectual property and customers pay you a fee, such as providing a recipe to a food manufacturing business.
- **Affiliates:** you resell other businesses' products and take a margin, or in reverse, you offer your product or service and others sell it on your behalf.



TIP: You don't have to stick to just one business model. For example a traditional retail location may also have an online store, source unique products and sell to other retailers.

5. Finding the right suppliers and logistics

Being in business successfully is all about making sure you can deliver. Regardless of the business you are in, you will need:

- Reliable suppliers: other businesses that can deliver the quality and price you require on a consistent and regular basis. Get multiple quotes from suppliers, check their credibility and ask about their ability to scale up, in case you suddenly need to order larger quantities.
 - An understanding of the business process: the logistics involved in getting products and raw materials from suppliers to your business, and then delivered to the customer. Sketch a flow chart of the various process parts to confirm the flow is smooth and to spot potential bottlenecks.
- Other factors to be aware of:
- Freight (freight forwarders, customs brokers, transport companies, couriers, air express companies, airlines, shipping companies and others in the freight industry)
 - Returns: either customers are not happy with the final product, or you are not happy with what you are receiving
 - Storage of finished products
 - Insurance coverage for the time when the product leaves your business to when it arrives safely at the customer
 - Packaging, balancing protection with cost
 - Documentation if you are importing or exporting



TIP: Having great supplier relationships is an important part of being in business. Be more than another customer to them. The more you sell their product or use their service, the more revenue they will make, and the better service you will receive.

6. Understand your capability and capacity

You need to be sure that you have the capability and the capacity to start and run your business profitably.

You need to consider

- Whether you will be able to invest in more capacity if you need to. If you manage to secure a large order, can you scale up to fulfil it? What extra equipment or products do you need?
 - How much of a financial investment will be required to meet customer needs. If your business starts to grow fast, having the cash available to add staff and increase production volume is crucial.
 - Whether you'll need additional staff. Can you secure skilled employees on short notice?
 - How to source alternative suppliers. Good contingency planning should include alternative sources of supplies.
- How you will maintain quality and consistency. Quality issues can occur when you are producing larger volumes, and the last thing you need is for a whole shipment to be rejected because it is substandard.
 - How you will manage your growing business. It is important to have good project management systems in place, and to know when you may need to hire outside help.
 - Whether you will outsource to other businesses. Not just in Canada but also offshore if there are cost, product or speed benefits.
 - How long it will take to get paid. There may be a considerable gap between securing an order or work and getting paid. Estimate what you think you'll need to make your business a reality, and where the money will come from.



Section two

Finding the money to start

1. Figuring out how much money you need

Estimating your start-up costs falls into two categories: set-up costs (how much money you need before you start operating) and initial cash flow (the money you need after you've started until you start making a profit).

Set-up costs

These are one-off costs that are required for you to launch, and which you probably won't have to pay for again. Every business will have different start-up costs to consider depending on the industry.

Start-up costs might include:

- Rent deposits and any building renovations before you start
- Licences and permits
- Equipment such as computers and software plus office supplies
- Equipment for speciality work such as tools, a vehicle, etc.
- Insurance
- Employee recruitment and training
- Initial inventory or raw materials
- Marketing materials and advertising



TIP: If you are buying a business (including a franchise), the purchase price becomes your set-up costs figure, as usually all these costs are included in the asking price.

Initial cash flow

Most businesses need time trading before they start covering all the overhead (and making a profit). Until this happens you should have cash in the bank (also called "working capital") to pay your expenses until you are operating at a profit.

Create a cash flow forecast

Set-up costs example

A builder needs \$150,000 for equipment and overhead cash of \$15,000/month (including a working salary), and it will take two months before the first building contract payment is received.

Without start-up capital

	January	February	March	April
Revenues from sales	\$0	\$0	\$45,000	\$45,000
Set-up costs	(\$150,000)			
Overhead expenses	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)
Cash flow	(\$165,000)	(\$15,000)	\$30,000	\$30,000
Cumulative cash balance	(\$165,000)	(\$180,000)	(\$150,000)	(\$120,000)

With start-up capital of \$200,000

	January	February	March	April
Revenues from sales	\$0	\$0	\$45,000	\$45,000
Start-up capital	\$200,000			
Set-up costs	(\$150,000)			
Overhead expenses	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)
Cash flow	\$35,000	(\$15,000)	\$30,000	\$30,000
Cumulative cash balance	\$35,000	\$20,000	\$50,000	\$80,000



TIP: Sales forecasting is hard for you as a start-up because you usually don't have any past sales to use as a benchmark. Try to estimate what similar businesses might generate (number of employees x hourly rates, hours open, number of contracts, outlets), and see if there are any statistics on average sales for your industry. If that fails, add in what you **MUST** sell to cover costs. Now you have a target.

2. Where to get the money you need

Now that you have figured out how much money you need, you should make some decisions about where that money will come from.

Your own money

Having some of your own money (savings or equity in property) to invest in your business makes sense. It shows you have skin in the game and are prepared to back your business with your hard-earned cash. Why your own money?

- **Least costly source** – it's the cheapest form of financing you will find. You can put cash, investments, equity in your home or other personal property to work for you.

- **Makes you a better risk for lenders** – if you risk something yourself, others may feel better taking on some of your risk. So your investment improves your chances of getting a loan.
- **You don't need to sell your assets** – you can get a second mortgage or open an [RBC Homeline Plan®](#) line of credit on your home or use other investments as security for a business loan.

Friends and family

Asking friends and family is a common way to access the cash you need. But if you choose to ask family for financial assistance, make sure the loan is short term and you can pay them back quickly. This will make future family gatherings much more comfortable.

Other sources

Outside investors

Often called “Angel” investors, people in search of investment opportunities. In return, they usually expect a share in your business, possibly a percentage return on the money they’ve lent you, maybe both. Search for angels in the [National Angel Capital Organization](#) member directory.

Venture capitalists

Venture capitalists are companies (not people) that typically invest in young companies they think will be sold to the public, or to a larger company, at a high rate of return. They rarely invest in an untested idea, preferring businesses that can demonstrate rapid, consistent growth and guarantee a worthwhile return. Search for VCs in the [Canadian Venture Capital Association](#) member directory.

Crowdfunding

Described as “democratic finance”, crowdfunding allows you to profile your business and attract investment (or loans) from a range of different people who wouldn’t normally be eligible to invest in new businesses without a prospectus. To work, crowdfunding needs to be [exempt from security laws](#). The [National Crowdfunding Association of Canada](#) is a good place to start.

Government grants and subsidies

The Government of Canada can provide funds for businesses if you qualify. This includes loans, grants, loan guarantees and other initiatives. View the Canada.ca site for more on [business grants and financing](#).

Borrowing

Chances are you will need to borrow money (either a loan to pay back over time or an overdraft facility that lets you dip in and out of debt when you need it). Before you apply for business financing, it’s important to have all your financial information in order, including:

- **Purpose** – exactly what you will do with the cash
- **Sources of funding** – how much you think you’ll need to borrow, and how much you’re contributing yourself
- **Loan security** – what you’ll use to secure the loan if anything
- **Repayment plans** – how you intend to repay the loan and reflect the repayment schedule in your cash flow
- **Existing debt** – what other debt you have that may impact your ability to repay



TIP: RBC® has a number of [business loans and lines of credit](#) to help with all of your finance needs, from start-up costs to ongoing cash needs. For example, our [Royal Business OperatingLine®](#) offers a credit line that’s ideal if your business is brand new and doesn’t have a business credit history.

3. Matching money to the need

It's important to link the money you need to the use and cost. As a rule of thumb use the method that matches the life of the asset: a credit card or overdraft could be used for short-term needs (like buying extra inventory or materials), and loans and operating lines could be used for long-term needs (such as equipment and commercial property).

What do you need money for?	Possible solution	How it works for you
<p>I need money to cover short-term expenses like supplies, payroll and rent until my sales turn into real cash.</p> <p>I need money to market the start-up phase of my business and generate sales.</p> <p>My business is seasonal and I need money to get through seasonal slow periods.</p>	Business line of credit	<ul style="list-style-type: none"> You are approved to borrow a set amount in advance. You can pay it down as cash comes in. You pay monthly interest on the amounts borrowed. You may be offered a credit card for added convenience.
<p>I need to be able to cover and track short-term expenses like office supplies and business travel.</p>	Business credit card	<ul style="list-style-type: none"> Track expenses for planning and record-keeping separately from your personal expenses. Make purchases interest-free until payment is due. Some cards allow you to earn reward points, which can be rolled up from employee cards or combined with your personal card points balance.
<p>I need money to buy hard assets that are necessary to operate my business, like buildings, vehicles and equipment.</p>	Term loan	<ul style="list-style-type: none"> Pay off over a longer time period to avoid tying up your credit line/cash flow. Regular payments make it easy to forecast cash flow. Match the term of the loan to the life of the asset – pays for itself over time.
<p>I need to have access to cash when unexpected expenses arise, while keeping my credit rating intact.</p>	Overdraft protection	<ul style="list-style-type: none"> Comes into effect automatically, up to your pre-determined limit, whenever your account is overdrawn. Easy to repay – deposits are applied to your overdrawn balance.

4. Monitoring your business performance

The basic tools of financial management

Successful business owners know that having an accurate snapshot of how their company is doing financially is key to being able to manage effectively. If you can identify there is a problem daily/weekly, it gives you the chance to correct it immediately.

Tools	What the tool shows	How the tool can help your business
The “books”. These can be a simple cash book or Excel spreadsheet. Preferably you will use accounting software linked to your bank accounts.	Incoming and outgoing cash in specific expense and revenue categories	<ul style="list-style-type: none"> ▪ Tells you what days/months are the busiest. ▪ Identifies which products or services sell the best. ▪ Highlights if you’re making a cash surplus/deficit each month.
Cash flow statement. If you have accounting software, you can produce a statement any day you need it.	The difference between cash in from sales and cash going out	<ul style="list-style-type: none"> ▪ Indicates how much cash you have on hand. ▪ Allows you to forecast cash flow needs in advance. ▪ Estimates shortfalls in advance so you can plan a solution.
Income or Profit and Loss Statement.	Your actual profit, which is all your income, less all the expenses you are allowed to claim for that year	<ul style="list-style-type: none"> ▪ Breaks down revenues and expenses into product/service categories to show you what makes the most money and what doesn’t. ▪ Allows you to compare each year’s performance.
Balance sheet.	Your business’s assets, liabilities and net worth (which is the difference between your assets and liabilities).	<ul style="list-style-type: none"> ▪ Shows an overall picture of your business at the end of the financial year. ▪ Allows you to compare each year’s performance such as inventory levels, cash on hand, debt, retained earnings, drawings by owners. ▪ Enables you to assess the stability of the business.



TIP: If you offer credit, cash may not show up for 30, 60 or 90 days. Try to get deposits or partial payments, implement a debt collecting policy early in your business and restrict who you give credit to.



Section three

All the legal stuff you need to know

Make sure you're compliant with any bylaws and licensing, and that you have all the relevant permissions you need to operate.

There are five main legal aspects to consider.

1. Registering your business

Business number

In Canada, the federal government assigns a unique Business Number (BN) to each company. A BN then allows you to register a business account with the Canada Revenue Agency

(CRA) for GST/HST (Goods and Services Tax/Harmonized Sales Tax), a payroll account (if you have employees), a corporate income tax account and an import/export business account.

In order to apply for a BN, you will need your Social Insurance Number (SIN), business name, business physical location and business activity, business structure and year end.

The CRA can be reached at 1-800-959-5525 or through cra-arc.gc.ca.

In Quebec, contact the Ministère du Revenu du Québec: 1-800-567-4692 or revenu.gouv.qc.ca.

What you need to register for	Where you need to register
Federal <ul style="list-style-type: none"> ■ Corporate income tax ■ GST/HST ■ Payroll deductions ■ Importer/exporter income 	Register with Canada Revenue Agency for your Business Number – which registers you for all four purposes listed on the left – at businessregistration-inscriptionentreprise.gc.ca .
Provincial <ul style="list-style-type: none"> ■ Business names ■ Workers' compensation ■ Health taxes ■ Provincial sales tax ■ Employment standards 	Go to the Canada Business website at canadabusiness.ca to find the requirements for your province or territory and sector.
Municipal (may require) <ul style="list-style-type: none"> ■ Business licence ■ Fire safety inspection ■ Health inspection ■ Approval of any changes you make to the space where you operate 	Consult with local municipal offices to determine local regulations and licensing requirements. Also check that your business does not contravene any zoning or land use bylaws.

Business name

If you form a corporation, then you'll need to register your name to check it isn't already taken, and to prevent anyone else from copying you. Search the [corporate database](#) to check your preferred company name hasn't already been taken.

Once you've decided on a name, you can apply for [corporate name pre-approval](#), and then [incorporate](#) on the Government of Canada site.

You can also apply to register a trademark, which protects combinations of letters, words, sounds or designs that are different from everyone else's.

Search the Canadian Intellectual Property Office trademark database to check your brand or logo isn't already being used. Then either apply yourself, or engage a trademark agent/lawyer to help you.

Finally, choose and register your web domain names. You can register through a [certified registrar](#), but take care you don't choose a name too close to another in the same or similar industry.

2. Business structure

There are three basic legal structures for businesses; only a corporation requires official registration.

Structure	Advantages	Disadvantages
<p>Sole proprietorship</p> <p>You alone own it and you are 100% responsible for its debts and liabilities. All earnings are taxed as your personal income. Learn more about sole proprietorship at the Canada Business website.</p>	<ul style="list-style-type: none"> ▪ Easy and inexpensive to form ▪ Relatively low-cost start-up ▪ Direct control of decision-making ▪ All profits go directly to you, with potential tax deductions 	<ul style="list-style-type: none"> ▪ Unlimited liability (personal assets must be used to pay off business debts) ▪ Income tax implications of a personal tax rate ▪ Decisions for and the continuity of your business rest solely on you
<p>Partnership</p> <p>Two or more owners agree to share profits and losses according to their share in the firm. Learn more about partnerships at the Canada Business website.</p>	<ul style="list-style-type: none"> ▪ Easy to set up ▪ Start-up costs shared with partners ▪ Equal share in management, profits, assets ▪ Tax advantages 	<ul style="list-style-type: none"> ▪ Unlimited liability (personal assets must be used to pay off business debts) ▪ Difficulty finding a compatible partner that complements your own skills ▪ You are held financially responsible for the business decisions made by your partner
<p>Corporation</p> <p>The company earns revenue, incurs losses and pays taxes separately from its owners. Learn more about corporations at the Canada Business website.</p>	<ul style="list-style-type: none"> ▪ Limited liability ▪ Separate legal entity, with continuous existence ▪ Easier to raise capital ▪ Possible tax advantages ▪ Increased credibility ▪ Shareholders may provide additional expertise and insight to you and your board 	<ul style="list-style-type: none"> ▪ Regulated, with corporate records required ▪ More expensive to set up ▪ Possible conflict between shareholders and directors



TIP: Professional business advisors can provide advice on which business structure might be best for you. A business can evolve from a sole proprietorship into a partnership, or either of those structures can evolve into an incorporated company.

3. Intellectual property (IP)

As a start-up you need to know what you can legally protect, what you can't, and what to watch out for so you don't mistakenly infringe on someone else's IP. The Canadian Intellectual Property Office (CIPO) manages all instances of IP.

Intellectual property can be defined as “traditional IP” and can be protected/defended or can require registration such as:

- Trademarks
- Copyright
- Patents
- Industrial designs
- Plant variety rights

Main IP protection

Trademarks

A trademark is the best way to protect your brand and logo. You can register any combination of letters, words, sounds or designs that are different from everyone else's. The protection can last forever, but you must renew a trademark every 15 years.

Before you start operating, search the [Canadian Intellectual Property Office Trade Mark database](#) to check your business name and/or logo isn't already being used.

Copyright

If you produce any work such as stories, music, art, plays, written words or digital content, you can claim copyright over the work. It exists as soon as you're finished the work, and to protect yourself you can apply for a [certificate from the CIPO](#) as evidence. Copyright lasts for 50 years after your death (and then anyone can copy it as it's in the public domain).

Next step – keep records when you create the work. Use the copyright symbol (©), the name of the owner and the year the work was created.

Patents

If you've designed something new and unique, you can apply for a patent, which gives you exclusive rights to the idea. Make sure you keep the idea a secret, as unlike copyright, you only get protection after the patent has been filed. To be eligible the idea needs to be new to the world, to be described as a functional process so you can protect it, and to be inventive. Patents only last 20 years, so sometimes businesses don't register a patent (like the Coca Cola recipe) and just keep it secret.

For more information go to the [CIPO about patents](#).

4. Tax

There's no getting around it – you'll have to pay tax if you make a profit. Although this is primarily a job for your accountant/bookkeeper or advisor to help you calculate how much, it's important that you understand the basics.

There are three main business taxes: GST/HST, income tax and payroll tax.

GST/HST

The federal government charges a tax on most things you buy in Canada.

There are three different taxes:

- GST (Goods and Services Tax)
- PST (Provincial Sales Tax)
- HST (Harmonized Sales Tax), which is a combination of the above two.

As a business you charge all your customers tax on what you sell. To see which province does what, the [Retail Council has a handy table](#).

How does it work?

- When you invoice your customers or when customers pay you, you'll add the applicable tax to the amount they pay.
- When you pay for any business expenses, you pay the tax that applies.
- Each tax period you only pay the government the difference between what you've collected and what you've paid other businesses.
- If expenses exceed sales (maybe you decide to buy a large amount of stock or some equipment), you may even get a refund.
- Note: you don't charge your customers GST/PST/HST for goods and services that are zero rated, such as basic groceries, rental accommodation, medical and dental services, financial services and day care.

You must register your business if your:

- Sales exceed \$30,000 in a single quarter
- Cumulative sales exceed \$30,000 per quarter within the previous 12 months

Register [online at the CRA website](#), or better still, register at Ownr.co.

Income tax

Every business that makes a profit must pay a percentage of the profit as a business tax. There are some variations depending on the legal structure:

- Sole proprietors report the profit on their personal income tax return.
- Partnerships decide on the profit split between partners, and then each person reports their profit on their own personal return.
- Corporations are much more complicated; a corporation must file its own tax return as a separate entity from the shareholders.

Next steps: It's very important to get professional advice and support about the best way to structure your business for tax. Get advice early from your financial advisor or talk to the CRA.

Payroll tax

If you have employees, or intend to pay yourself a wage, then you'll also need to deduct the income tax from their/your pay and submit it to the government before you pay the employee/yourself.

You will need to:

- Open a payroll account ([find out on CRA's website](#))
- Get the right information from your employees ([find out on CRA's website](#))
- Calculate the right deductions ([find out on CRA's website](#))
- Keep all the records you need to keep (for up to six years)

As you'd expect, there are a few other things to consider such as:

- Pension plan and Employment Insurance premiums
- Any employee taxable benefits such as use of a company car or parking
- Any employee commissions

Get help early from your financial advisor so you know you are doing everything right.

Paying yourself

How you pay yourself will depend on the business structure that you have chosen.

Getting paid in a sole proprietorship or partnership

You have three options:

- Pay yourself a wage and make payroll deductions as though you're an employee. Each pay period you'll receive your pay less deductions.
- Take a "drawing", which is a set amount each pay period.
- A little of both: a wage that you can top up with drawings when you can afford it.

If you take drawings then understand this isn't what you will be taxed on. You will still be taxed on the net profit of the business.

You and your partners will also make your own CPP payments and quarterly tax payments.



Getting paid in a corporation

- A business owner (shareholder) can receive a regular salary and bonuses, as they are considered an employee.
- Source deductions such as CPP and tax must be withheld from salary and bonus payments.
- Business owners may also receive dividends, which are taxed at a lower tax rate than income.
- The net earnings (profits) of an incorporated company are then taxed at combined federal-provincial corporate tax rates.

Regardless of which method you use, get financial advice to determine what is best for your own situation.

5. Licences and permits

Finally, there are a number of licences or permits that you may need to operate.

For example if you want to open a café, you'll need a licence to sell food or alcohol, possibly permission to renovate or alter the premises; you will also need to have health and safety rules for staff, food preparation rules, a way to dispose of waste, etc.

The easiest way to know what you need to do is to access the [Business Permit and Licence Information](#) portal operated by all the federal, provincial/territorial and municipal governments across Canada.

Also review:

- [Workplace health and safety information](#) from the Government of Canada
- Your local business association directory
- Your local [Chamber of Commerce](#)





Section four

The best ever business plan

1. Building your business plan

It has been proven starting with a written business plan will increase your probability of operating a successful business.

Writing your business plan forces you to think through your business idea before you actually start. It lets you fine-tune your ideas and consider your alternatives before you get swept up in the fast pace of the actual process.

Having a business plan can also help your chances of getting financing, as it helps you clearly outline your idea

and the opportunity to investors or lenders. Later, your business plan gives you something to measure yourself against, to see how well you have stuck to your plan and exactly where you may need to make changes.

The basis of your business plan

Following the business plan chart below will help you form the basis of your business plan and will serve as a way to both think your way through your business idea and check your progress against your plan.

Business plan chart

Step	How you benefit
1. Write a sentence describing the products or services your business provides. Include the benefits not just the features. Identify what the key opportunity is in your market.	You now have a short statement that tells people (investors, customers, family members, etc.) what you do. It will help you focus on your core competitive advantage.
2. Identify who your customers will be and why they will buy from you over the competition (e.g. price, quality, innovation, service, convenience).	Knowing who you are targeting makes it easier to understand what they may want, how much they might pay, and where to promote to get their attention.
3. Research your market to better understand the industry (e.g. products, customers, competition, traffic patterns, parking, rents, employee availability, labour costs).	The more you know about the characteristics of your market, the better prepared you'll be. Try to get real numbers not estimates, such as the size of the market, specific competitors, etc.
4. Decide how you will deliver your product or service to customers. How will they learn about your business? Will you distribute directly to customers through retail, make co-distribution arrangements or distribute over the internet? Make sure the delivery methods you choose match how the customer prefers to buy from you.	By documenting the sales process, you can identify any problems or bottlenecks in your strategies and develop solutions.

Step	How you benefit
5. Decide where you will conduct your business. Can you work at home or do you need an office, a plant or a store? Choose a location that balances all your important criteria such as budget, traffic and visibility.	This will lead to concrete information about the cost of rent or real estate, labour and distribution. You may also be able to determine traffic patterns, customer parking availability and other important considerations based on any historical data specific to that location.
6. Create realistic income statements and cash flow projections for the first two or three years. Will you have sufficient cash flow to survive start-up? What is the break-even point when you begin to make money?	This will prove to you and indicate to lenders and other partners that your ideas are based in reality. You must show that your plan has a definite timeline and will make money and pay back investors.
7. How will you obtain raw materials or other crucial supplies? Are there backup sources to draw upon?	With a list of suppliers and alternatives, you will be prepared if one goes out of business or cannot meet your growth requirements.
8. Decide how many employees (if any) you need, and find out whether it is easy to hire people with the required skills in your market area.	You will know what skills to look for and have a better understanding of what you will need to pay, including benefits, to attract employees and fully staff your business.
9. Set up your advisory team: get professional advisors, partners and mentors behind you.	You'll get the benefit of their experience with other companies that have gone through similar situations.
10. How will you deal with key risks your business may face? You may wish to buy insurance for certain risks. Check with your RBC business advisor for general advice and then talk with a licensed insurance professional.	You will be prepared for most foreseeable situations and better able to reduce risks as they arise.



TIP: We have a Business Plan and Cash Flow template that will help you develop your plan in more detail.

2. SWOT analysis

Taking the time to review your business strategy is a valuable exercise, and a SWOT (strengths, weaknesses, opportunities and threats) analysis is one of the easiest ways to do this.

- **Strengths** – top strengths or benefits of your business, and how you can protect and enhance them
- **Weaknesses** – your weaknesses or issues, and how you can minimize them or turn them into opportunities
- **Opportunities** – top opportunities or advantages of your business and how you can access and take advantage of them
- **Threats** – top threats, and how you can reduce the chance they will impact your business

Understanding the SWOT matrix

Strengths and weaknesses are usually internal factors that you have some control over. Strengths might include highly

trained and experienced staff, strong brand awareness or a great location. Examples of weaknesses could be quality issues, logistical problems or poor service standards. Opportunities and threats tend to be external factors outside your control. For example, a threat might be a competitor trying to lure away your best employees, whereas an opportunity could be a new technology changing how a process is done.

Being able to visualize the strengths, weaknesses, opportunities and threats of your business and various projects is essential to fine-tuning your strategy, and that's what the SWOT matrix helps you do. There are four steps to effectively conduct a SWOT analysis:

1. Define the issue

Clearly identify the issue you're analyzing. Whether you're looking at your business as a whole, assessing a new idea or reviewing a competitor, define it as clearly as you can.

2. Work the grid

Assess the issue using each of the four criteria. This is not always a linear process and you should feel free to jump around as ideas come to you.

3. Analyze the results

Are there strengths you're not making the most of, opportunities you're missing or weaknesses you're

ignoring? Think about each of these factors and how you might take advantage of those that are helpful and fix, mitigate or eliminate those that are harmful.

4. Rinse and repeat

Run a SWOT analysis on a regular basis so that you're continually fine-tuning your business strategy, or when you're assessing a new idea or need assistance making decisions.



TIP: We have a SWOT template that you can use to outline your business in more detail.

3. Forecasting

How to forecast cash flow

A cash flow forecast will help you to allocate your resources, and provide some foresight into where your money's going.

Sales forecasting – how to get it right

The secret to sales forecasting is to accurately calculate the different types of sales you can expect and how many of each per month. The more assumptions you make, the less accurate your forecast will be, so you've got to really drill down to the details of your costs and be objective and realistic.

If you're a start-up, then you won't have any historical data to base your sales forecast on. So instead you'll need:

- Projections of what you think sales might be
- An understanding of the competitive marketplace
- An idea of what similar businesses are turning over
- Industry statistics or any benchmarking data

Your first sales forecast

Work out what you need

Start with your financial goals as a realistic base figure for the amount of sales you need each year. Work out what you need to sell to make a profit by conducting a break-even analysis and add on the desired profit. See how much that comes to per week, then determine if it's physically possible.

Estimate demand

Estimate the number of people in your area, and then divide it by the number of competitors. That way you can try and estimate what your share of the market might be.

- Forecast the number of units (items made or sold, or hours charged) you expect to sell during the coming year for each product or service category group.
- Allow for seasonality or sales trends.



TIP: Identify any internal factors that might affect sales next year in each category such as staffing changes, profit expectations, promotional plans or capacity constraints. Do the same for any external factors such as inflation, competition and business trends.

Understand your cash cycle

Every business has a cash cycle, the time it takes between making a sale and getting paid. If you sell for cash, you get your money immediately. If you take credit, it will take longer to get paid. There are two clear lessons:

- The more cash sales you can make, the better for your cash flow situation – you get the cash immediately to pay expenses.

- If you have credit sales, it's important to credit check all customers carefully and have efficient debt monitoring and collection systems in place.

Now estimate expenses

Once you have forecast your sales figures, you can move on to estimate how much you need to spend each month. This is usually much easier than forecasting sales, as you can more easily get quotes and estimates. If you look at

the expenses list in the cash flow forecast template, you'll notice that the expenses are categorized as two kinds:

- **Variable costs**, such as inventory or raw materials. These are the direct cost of sales, which will vary with sales. If you sell more products or services, you need to buy more materials or contract more labour to make the products.
- **Fixed costs**, such as rent, taxes, wages and utilities (known also as business overhead). Whatever your sales, you face certain fixed costs each month that you will need to pay regardless of your level of sales.



TIP: You may pay some bills such as insurance or professional fees only once a year. These can easily be overlooked. You may want to consider paying these annual amounts in smaller monthly instalments to smooth out your cash flow planning.

4. Creating a marketing plan

A sure-fire marketing plan in eight easy steps

1. Know your customers

Spend time finding out about your customers' preferences and habits to help you focus your promotions more effectively. What are their key pain points?

2. Study your market

Conduct online or in-store surveys, or simply ask potential customers for feedback. Your customers' responses will highlight what works well and what you'll need to improve.

3. Identify your competitors

Find out who your direct competitors are and gather as much detailed information about them as you can. Your competitors' weaknesses will present opportunities for you to market your points of difference.

4. Determine your competitive advantage

Your competitive advantage can be anything that sets you apart from your competitors in your target market – such as price, service or location. It should be something that makes you stand out from the crowd, and exploits a gap in the market that your competitors haven't thought about.

5. Create a promise

A promise helps clarify what the most important aspect of your business is to your customers. You want the customer to value your promise or guarantee.

You always have tax obligations, such as GST/HST and business tax payments. You need to make provisions for these or a sudden tax bill may seriously affect your cash flow planning. Sit down with your accountant to work out what you are likely to owe over the next 12 months and the best way to save or prepare for these payments.

6. Make it simple to do business

Ensure it's easy for your customers to interact with your business. They want to have enjoyable experiences regardless of what product or service you're selling. Exceptional service is one area that should be non-negotiable.

7. Build a reliable brand

It's vital you develop an integrated marketing strategy that makes sure all your promotions, advertisements and marketing communications convey the same unified brand message and consistent brand values.

8. Evaluate your marketing and update your plans

Measure the return on investment for all your marketing efforts and update your marketing based on what works and what doesn't – for your business, your market conditions and your customers.

Some returns are easy to quantify, like the number of sales or the value of sales generated from an advertisement or promotion. Others are harder to put a value on, like the number of followers gained on social media or the number of visitors to your website. Some are a lot more difficult to measure, like customers' perceptions or increased brand awareness. It's important to keep an eye on your cash to maintain a healthy balance. You'll be in a better place if you know the difference between cash flow and profit; you can price and cost accurately, and you will know how to avoid a cash shortfall, fraud and credit risk.



Section five

Keeping control of your cash

1. The difference between cash flow and profit

Cash flow is the cycle of money that comes in and out of your business each day.

Profit is calculated by adding up all revenue, and subtracting all the expenses.

Sometimes, however, a business can report a profit, yet have no cash in the bank. Common reasons for this include:

- A purchase of long-term assets from cash reserves
- A build-up of inventory or raw materials over and above requirements
- High owner drawings from the business

To avoid cash flow being too low compared to your profit, consider:

- Purchasing new assets at the start of your financial year, not the end, so you can claim all the depreciation
- Avoiding the purchase of large amounts of inventory at the end of the year unless it's a great bargain and you have the cash to spare
- Paying for expensive assets over longer periods instead of up front
- Leasing instead of buying assets if they're not used all the time

2. Setting accurate prices

The price you set for your products or service should be based on a price that's high enough for you to make a profit, but realistic enough to encourage people to buy. It's not as simple as adding a margin to your costs, as it may not be enough to cover overhead.

Cost-plus pricing

Calculate all the costs in producing your product or service, add a margin, then determine how much you can produce. Does this price cover your overhead and profit?

Retail margin

If you buy and resell products as a retailer or wholesaler does, you'll need to add a percentage – otherwise known as your margin – to the inventory you've purchased to resell.

Hourly rate

If your business is service-based and you charge per hour, it's much simpler as you won't have any physical costs of materials or inventory (though you'll still have fixed overhead to cover).

What does the market say?

Of course deciding what to charge doesn't always work; more often than not every industry has a current "market price". If electricians all charge a similar hourly rate, it will be difficult to charge twice as much, and you won't want to charge half the price either as you'll possibly miss out on extra margin.

Research what the current price structure is in your industry:

- Which businesses do customers see as offering the best value?
- What do customers expect to pay?
- Which products are likely to be the most successful?

You just may need to work backwards: take the market price, then see how much you can do/sell physically, and then see if that covers overhead and profit.

How to get the best margin

Most businesses try to make as much profit as they can, while providing value for money for their customers. If you are struggling to get your business model to work, consider:

- Offering extras that the competition doesn't such as guarantees, delivery, a wider range, more expertise, better after sales support
- Lowering your overhead
- Reducing your input costs such as raw materials, staff, inventory without impacting the quality



TIP: Review all the options and decide which one suits your business best. Pricing is a balancing act between selling at a price where customers will buy and making enough margin to cover costs and make a fair profit.



3. Tips to avoid a cash shortfall

Cash shortfalls happen when either sales or the collection of receivables gets too slow. There are plenty of things a business owner can do to turn inventory into sales and sales into cash as quickly as possible. Try these proven cash flow boosters.

Cash flow booster	Why it works
Whenever possible, match customer payment terms with your supplier's terms.	Cash comes in at the same time as payments go out, which balances your money in/money out cash cycle and lessens your need to borrow or invest your own money.
Ask for deposits.	Cost of supplies is usually paid before customer invoices turn into cash.
Make bank deposits daily.	Turn payments from your customers into cash as quickly as possible, use Mobile Cheque Deposits or collect payment electronically to save a trip to the bank.
Watch inventory – reduce purchasing if stock rises too high.	Inventory represents cash you can't use.
Offer discounts to speed the sale of slow-moving inventory.	Cash is more valuable to you and it will free up space to bring in better inventory that can be sold at a higher margin.
Set prices with cash flow in mind – higher for fast movers, lower for slow movers.	High demand may mean customers will pay more; price drops may pick up the slow movers.
Watch accounts receivable closely – call quickly when a payment is overdue.	Solve service or product problems that may be the reason for slow payment – find out why. If payment will be late, better you know as soon as possible so you can plan.
Offer credit only to your best customers.	Credit costs you money; you must either borrow or use cash to cover this cost.
Watch specific accounts where customers regularly pay late as they may be having financial problems.	Catch these situations early, keep a close eye on what you're owed to avoid higher than normal accounts receivable.
Use a business operating line or overdraft protection to compensate for seasonal or unplanned ups and downs.	You will always be able to pay your bills if you plan for known shortfalls in advance.
Use internet and mobile banking so you can collect your payments quickly without scheduling a trip to the bank.	Accepting online and mobile payments will make cash available to you sooner. We have payment solutions you can make use of, such as mobile and online options.

4. Tips for generating a cash surplus

In a start-up, a cash surplus will give you breathing space for any fluctuations such as sales not as high as you hoped, or expenses higher than you thought.

The most obvious way to create a cash surplus is by adding more of your own capital or taking out a loan. However there are a number of other things you can do first.

For example

- Sell underused assets and rent the equipment when you need it.
- Reduce your drawings from the business until revenues improve.
- Set up “just in time” practices and only order items from suppliers on short notice.
- Stop stocking slow-moving items. Have a sale to get rid of obsolete inventory or raw materials.
- Regularly review your inventory levels, your inventory turnover rates and your purchasing policies to make sure you're only carrying what you need.
- Some suppliers may provide inventory or materials on consignment, or you can negotiate long-term repayment plans.
- Only accept work you know you can complete profitably. Focus on work that provides the highest margin and start to say no to marginal work.

5. Protect yourself against fraud and theft

If your business will have employees, keep in mind they will likely handle cash, cheques, inventory and spending on the company's behalf, and this will directly affect your business performance.

A checklist for handling assets and cash

Set clear rules and processes in the beginning and make sure everyone knows what's expected.

12 ways to help protect yourself against loss from fraud

- Limit employees' access to cash, and make it compulsory to provide every customer a receipt.
- Set up basic financial management systems with your accountant and use them consistently.
- Make bank deposits promptly – preferably at the end of every day. This is particularly important if your business is primarily cash-based.
- Make withdrawals for expenses separately so they can be matched with a specific invoice or petty cash voucher.
- Keep chequebooks, cash and returned cheques under lock and key.
- Do unannounced counts of petty cash and cash drawers.
- Expect some variance in tills, but set a threshold (e.g. \$20) beyond which you will investigate.

- Make all payments by electronic payment or internet banking to avoid cheque fraud.
- Encourage customers to pay via internet banking or a credit card.
- Justify every payment with a supplier invoice, refund voucher or other paper document.
- Make sure employee travel and entertainment expenses are appropriate.
- Count inventory more frequently than your once a year stock take.

Track expenses in 4 easy steps

- Get receipts for all business expenses.
- Keep all expense records for each year together in one safe place.
- Use a separate credit card for your business expenses.
- Move to online banking to simplify your ability to track cash flow and see immediately what's come in and what's gone out, as well as print account statements or download them into your accounting software.

Being a good credit risk

As a new business, or if you are a newcomer to Canada, you likely won't have a credit history (record of repaying loans, credit cards, bankruptcies, etc.). To decide whether to offer a start-up company a loan, a bank will often look at the owner's personal credit history.

What can you do to create a good credit history?

What should you do?	How should you do this?
Make sure your credit history is accurate.	<ul style="list-style-type: none"> ■ Request your credit history from one of Canada's two major credit bureaus: Equifax (equifax.ca) or TransUnion (transunion.ca). ■ Check for errors and file a dispute form if you wish to challenge any of the information it contains.
Build a good credit history if you don't have one.	<ul style="list-style-type: none"> ■ Take out a small loan or apply for a credit card. Keep balances small enough that you can make regular payments. ■ Ask a family member or relative with a good credit history to co-sign a loan for you. Pay it off with regular payments over a few months.
Maintain a good credit history.	<ul style="list-style-type: none"> ■ Pay all your debts on time, even if it is just the minimum payment. ■ Consolidate debts to make payments simple. ■ Pay credit card debts on time to avoid paying interest.
Take action to fix a poor credit rating.	<ul style="list-style-type: none"> ■ Review your spending habits to identify the main problem area(s). ■ Eliminate some credit cards or consolidate debt to make monthly payments more manageable. ■ Ideally, pay off your credit card in full and on time every month. If that is not always possible, at the very least ensure the minimum monthly balance is paid off every month. ■ Contact a reputable credit-counselling service to help you and your creditors establish a workable payment plan. Most services providing free counselling are not-for-profit.
Establish a credit history for your business.	<ul style="list-style-type: none"> ■ Apply for a business loan or business credit card to establish a credit history for the business, apart from your personal credit record. Build a track record of responsible credit management.

What to do if the bank turns you down

Banks use objective criteria to decide whether to lend money or not. If you are turned down, look at your application and see what you can do to improve it.

Talk to your RBC business advisor to help determine what changes you need to consider before you resubmit your credit application.

What banks consider	How you can support your application
Purpose of the financing (purchasing inventory, paying rent or utility deposits, start-up expenses, management draws)	Consider paying for these items yourself and/or forgoing initial management draws and applying for a business line of credit only.
How the loan will be repaid/sources of repayment	If you think the bank is ignoring an important factor in your favour, say so. It may have been overlooked.
Your ability to repay	Ask to borrow a smaller amount.
Personal credit history	Seek additional collateral or equity from family, friends or investors.





Section six

Help and advice

Finally, it's important to be realistic about your chances of success if this is your first business. Now is the time to get as much help as you can.

1. Characteristics of successful small business owners

Experienced entrepreneurs will tell you that the key to business success is not the original idea, but how well you execute that idea. It's the way you carry out your idea that will turn your vision into a successful and fully functioning business.

Successful entrepreneurs come from many backgrounds, personality types and levels of experience, but they all have one thing in common – a passion for what they do.

2. Your support team

At each phase along the way, from start-up to growth, building a support team that understands the demands and shares your passion will help you build a successful business.

Industry contacts

You may be starting out on your own in the same industry where you worked as an employee. If so, you will probably know several key players and customers whose opinions you respect.

If you are entering a sector that's new to you, join industry associations and attend conferences and networking events to identify key people who can provide you with market intelligence, contacts and ongoing feedback.

Industry support

There are a number of Canadian support groups that can help you in your journey such as:

- [Canadian Acceleration and Business Incubation](#) – to grow businesses so they get to market faster
- [Private sector such as IBM's Research and Development](#) – a range of ideas and innovations
- [futurpreneur.ca](#) – a non-profit organization working with aspiring business owners aged 18-39

Government resources

Governments in Canada at every level offer help to new business start-ups. The federal government's Canada Business website can connect you to all of them. You can find it at [canadabusiness.ca](#).

Professional advisors

Talk to advisors early in the process of starting your business and get their advice. If you don't have a banker, lawyer, accountant or management consultant, ask family members, friends, business colleagues and community contacts for referrals. They should understand your industry and be knowledgeable about small business.

Two key advisors

- **Accountants or bookkeepers** to help with setting up your books, the structure of your business, tax planning and preparing end of year financial documents
- Your **lawyer** to help with the incorporation of your company or partnership, shareholder agreements, protection of intellectual property, contract reviews (customers, suppliers, landlords), employee agreements, liability threats and insurance requirements



TIP: An RBC business advisor will give advice for free, and first consultations are often free for other professionals as well. Don't forget: these service providers have handled the affairs of dozens of businesses and can give you the benefit of the experience of others.



3. Protecting your business

Making sure you have the right business insurance coverage in place is a vital part of protecting your business, as well as you, your family and your employees, while preserving your personal insurance for what it was intended. Insurance exists to protect all that you have worked hard to achieve.

Protecting yourself, your business and your family

What concerns you?	What will protect you?	
As a new business owner, how can I protect myself?	Life and living benefits insurance products provide coverage to protect you, your family and your business, including personal life, disability and critical illness.	
What if an illness causes me or an employee to be unable to work?	A group benefits plan protects you and your family, plus your employees and their families.	Group benefits can replace some or all of your income, and help attract and retain quality employees.
What do we do to protect the business in case one partner becomes too ill to work?	Key person insurance provides working capital during replacement recruitment and training and covers funds you may need to pay off debts. It can be life insurance, critical illness insurance or any other appropriate product.	
How do we protect ourselves against the loss of revenue when a partner or a key employee passes away?	Business Loan Insurance Plan, in addition to life and key person insurance can pay off the insured portion of your business loan(s) if an insured key person passes away.	
Can I buy out a partner who passes away?	Joint first-to-die insurance coverage funds a “buy-sell” agreement to ensure the surviving business partner(s) can continue operating.	
How can I protect my business if someone is hurt by one of our products or has an accident on our business premises?	Liability insurance protects you and your business from claims arising from legal actions brought against your business due to a bodily injury or property damage done to others as a result of your business’s operations or products.	
What happens to my business if it’s affected by a fire or theft?	Commercial property insurance protects your premises, equipment, and provides funds to keep it running.	Personal property insurance can cover home office business assets and activities.
Will my car insurance cover me when I use my car for business purposes?	Commercial auto insurance provides coverage for a vehicle being used for business purposes, including liability associated with a motor vehicle accident and vehicle repairs or replacement. Note: Personal auto insurance will not provide coverage for a vehicle being used for business purposes.	
What covers my medical expenses in another province, territory or country when I’m travelling on business?	Travel insurance such as Travel HealthProtector® covers you in other provinces and abroad for emergency hospitalization and medical costs and related services.	



TIP: For more information about the type of insurance you may need to protect your new business and how much coverage to buy, talk to a licensed insurance professional. These professionals can also help you get the best prices and policies for your situation.

4. How RBC can help

Your personal and business banking are closely connected

As a new business owner, your personal and business finances will be tightly connected. You will need to be able to work seamlessly on both sides of your financial life.

With our online and telephone banking, you can pay bills, transfer funds and review account transactions any time of day or night. And for more services like a quick credit application, increased loan limits or business and personal financial support services, we have business advisors available by phone six days a week from early morning to late in the evening.

Opening a business account

It's easy to open an RBC business deposit account. Now, you can get a business bank account and account number online in less than 15 minutes. Or call 1-800-769-2520 to speak to an RBC business advisor and book an appointment at your closest RBC branch. Just come prepared with these basic documents:

- Business documentation (trade name registration, partnership documentation or articles of incorporation)
- One piece of personal identification – for example but not limited to a valid Canadian or U.S. driver's licence, Canadian or foreign passport, Canadian Citizenship Card (with photo), Canadian Certificate of Indian Status (with photo), Permanent Resident Card or RBC Personal Client Card

You need banking that's right for you

Come in and talk with us. Our business advisors have experience helping businesses at every stage of development – starting up, finding capital, learning the tools of cash flow management, controlling expenses, and growing and prospering.

Plus, our business advisors can help you with:

- Day-to-day banking needs to save you time and money
- Options and advice for business financing
- Advice on how to effectively manage cash flow, pay employees and get paid
- Assistance with safeguarding against fraud

RBC economic tools

Access economic intelligence at rbc.com/economics. You can sign up for e-newsletters featuring Daily Economic Updates or the monthly Economics Digest. Also available: Financial Markets Monthly, Economic and Financial Market

Outlook, Provincial Economies, Commodity Price Monitor, Housing Trends and Affordability, as well as special reports on other topical issues. You can also monitor current publications, including U.S. market updates and quarterly economic forecasts.

In summary

We are committed to helping you start, run and grow your business, and have a range of expert business information, templates and tools to help you prepare for success. RBC business advisors are available to provide free help any time you need it, and our website is packed full of resources to download and access.

Finally, remember to increase your chance of success by:

- Developing a competitive advantage you can defend
- Having clear customer targets
- Understanding the logistics and having the capacity to grow
- Knowing how much capital you need and where it will come from
- Being able to cross off all the legal requirements for your type of business
- Protecting your intellectual property
- Understanding how business tax works
- Having the best ever business plan
- Knowing where your cash is going and how to create a surplus
- Being prepared to seek expert professional help when you need it

To find out more about how RBC can help you start up, sustain, grow and transition your business:

- Visit your nearest RBC Royal Bank branch
- Call 1-800 ROYAL® 2-0 (1-800-769-2520)
- Visit rbccroyalbank.com/business

If you are a newcomer or landed immigrant seeking financial advice to help you start a business – or you need assistance for any of your other banking needs – our RBC Welcome to Canada package of resources is specifically designed for you. To find out more, visit your nearest RBC Royal Bank branch, call us at the telephone number above or visit rbc.com/canada.



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