# PIVOT

CPA CANADA

## CAPITAL CRUSADER

**Rose Marcario, entrepreneur and former Patagonia CEO, is investing in a sustainable future**

+

WHY CANADA'S BANKS ARE TOO BIG TO FAIL

THE COMING WAVE OF WEALTH TRANSFER

HOW CPAs ARE MAKING AI WORK FOR THEM

SEPTEMBER/OCTOBER 2023

## EXCLUSIVE ONLINE CONTENT

*CPACANADA.CA/NEWS*

- How accurate are population estimates?

- Q+A with Jim Balsillie, former co-CEO of RIM, on innovation in Canada
- Is AI moving too fast for regulators to keep up?


## FEATURES



PHOTOGRAPHS: FOOD TRUCK BY **JOHNNY LAM**; BALSILLIE BY **GETTY**


## ON THE COVER

**PHOTOGRAPH BY BRANDON HARMAN**

## WHAT DO YOU THINK?

Send your input to the editor at pivot.letters@cpacanada.ca. If your letter is chosen for publication, it may be edited for length and clarity.



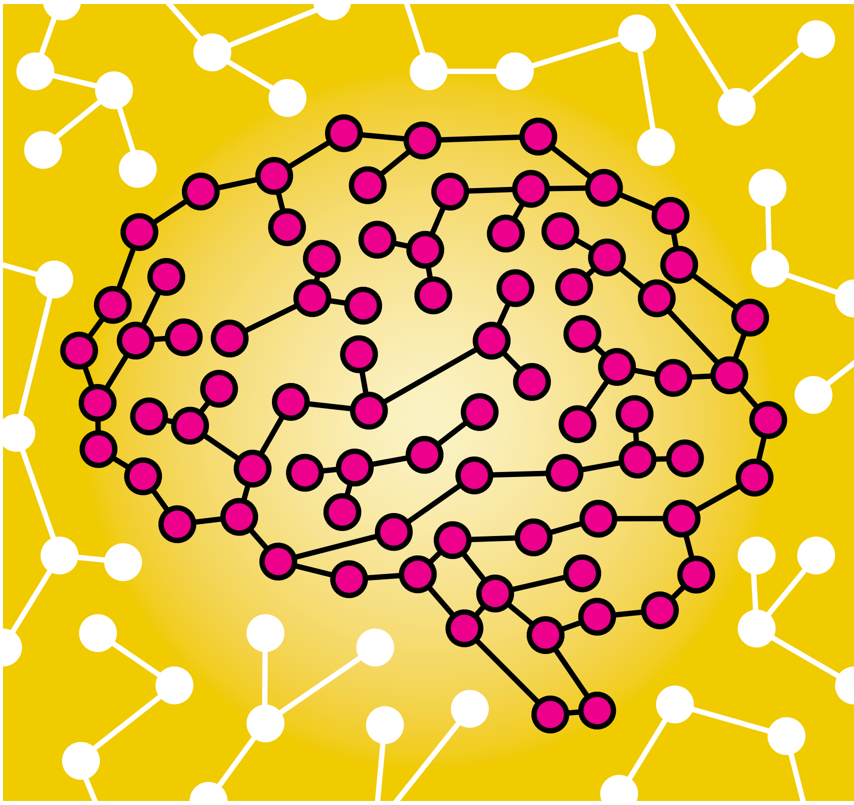
### FIRST IN



### LAST OUT

# CPAs can be leaders in the AI revolution

The accounting profession faces a stark choice: take a seat at the forefront of technological disruption or risk losing a spot at the table of global influence.



PAMELA STEER

**Do you remember** the advent of Lotus 1-2-3 or Excel? If you do, you'll also recall the deep-seated fear among accountants at the time that the technologies would eliminate our jobs.

Even if you don't, it's clear those fears about the end of the accounting profession were unfounded. However, those early disruptors *did* change the profession as we knew it. Equipped with new tools, we were able to do our jobs better and more efficiently, allowing CPAs room to expand our focus on providing valuable business insights to clients and employees.

Today, we are hearing a familiar mix of excitement and trepidation from CPAs about what could be the greatest disruptor yet: artificial intelligence.

In a CPA Canada Business Monitor survey conducted this spring, 62 per cent of respondents said their business is not using AI on a daily basis. However, 45 per cent said that they believe that in the next five years, the technology will free up employees from routine tasks, and 36 per cent said it will allow us to accomplish things we previously couldn't.

Unlike Lotus 1-2-3 and Excel, Chat GPT—the most buzzed about example of new Generative AI technology—is publicly accessible. The fast democratization of this powerful tool will quickly increase the expectations of the business ecosystem: soon, the use of AI will not be a business edge, but a new standard.

AI could make some accounting tasks faster, more efficient and increasingly customized by providing easier access to synthesized information, the ability to process vast amounts of data quickly and enabling more comprehensive and accurate business analysis.

For example, AI can help in fraud detection and risk assessment by finding patterns in previous datasets. It also has applications in forecasting: using data pattern analysis from previous years, it can also incorporate new types of information, including climate or supplier trends, to build a more complete and accurate forecast.

## CPAs HAVE AN OPPORTUNITY TO BECOME GLOBAL CHAMPIONS FOR A BALANCED APPROACH TO DIGITAL TRANSFORMATION EFFORTS

To adapt and thrive, the accounting profession needs to look at AI as an opportunity to strengthen our uniquely human skills to be better equipped to do the things that machines can't.

By automating certain processes, we can focus our expertise and professional acumen to lead businesses and support a healthy global economy.

However, AI tools also introduce several new risks to the CPA profession including, importantly, an impact on trust in the integrity and security of information.

Trust is at the core of our profession, both from an auditor's perspective (providing assurance services) and from that of an industry financial leader (providing trust that the financial information is reliable and relevant). As such, each CPA has a central role to play.

Governments, businesses and intergovernmental organizations around the world are currently trying to provide a framework to govern the epoch of AI.

CPAs, with our formative background in standard setting, have an opportunity to become global champions for a balanced approach to digital transformation efforts: one that considers short-term gains from workforce automation as well as longer-term strategic objectives, such as maintaining organizational resilience, preserving corporate memory and performing proper controls.

Through CPA Canada's opportunity to represent Canadian CPAs at the federal and international tables when it comes to data, AI and technology, we have made valuable contributions to the global innovation conversation.

National coordination is required to ensure appropriate governance of emerging technology trends, for example, when it comes to ensuring consistent audit quality across Canada.

CPA Canada and the Auditing and Assurance Standards Board (AASB) created the Crypto-Asset Auditing Group to work with the Canadian Public Accountability Board (CPAB) and practitioners across Canada to share views on the application of the Canadian Auditing Standards (CAS) when auditing in the crypto-asset ecosystem.

Although AI is a global issue, the impacts are different from one jurisdiction to another—and national regulatory and jurisdiction-specific concerns are just as vital to the Canadian profession's health. If we work globally, and advise locally, we can find solutions that are fit-for-purpose in a Canadian context.

For example, CPA Quebec responded to provincial Bill 25 on the protection of personal information, while CPA Canada is currently gathering input from members across Canada to inform a brief on federal Bill C-27 on a similar topic.

To ensure we are acting in the public interest, there is value in addressing such important subject matter at both the national and provincial levels.

This is a crucial moment in evolution: technology, business and economies are inextricably global in nature, requiring a strong Canadian presence at the international table.

We need to ensure that CPAs, as custodians of the global financial ecosystem and leaders in business, standards and corporate governance, have a voice in what is becoming the biggest technological disruption since the dawn of the internet. ◆

According to a CPA Canada Business Monitor survey, 45 per cent of respondents believe that AI will free up employees from routine tasks to focus on more productive tasks

CPA Canada would like to thank everyone who reached out to offer insight, feedback and ask questions about the future of a unified profession in the wake of announcements from CPA Ontario and CPA Quebec that they intend to withdraw from the Collaboration Accord. CPA Canada is committed to providing timely and transparent updates on governance developments affecting the profession. For more information, including a consistently updated FAQ, please visit the **cpacanada.ca** website.

## A few examples of our international contributions include:

Working with AICPA to publish thought leadership papers on emerging and evolving technologies that affect North America, including *A CPA's Introduction to AI*, *The Data-Driven Audit: AI and Automation's Impact on Audit and Auditors' Roles* and *Blockchain and Its Potential Impact on the Audit*.

Collaborating with ICAS, IFAC and IESBA to research and report on how complexity in the professional environment, digital disruption and mis/disinformation impact the importance of professional skills and ethical leadership.

Partnering with IFAC through their Professional Accountants in Business (PAIB) Advisory Group to publish guidance on data governance and the data value chain addressing the evolving role of the CPA with the ever-increasing value and role of data.

Responding to the International Organization of Securities Commissions' consultation on the use of AI and machine learning after consultation with business leaders, investors, auditors, regulators, academics, and experts from Canada's fintech and AI research communities.


## Strength in numbers

I love your magazine, it's always thought provoking.

I was surprised, however, with some of the narrative in the article about General Fusion ("Energy Star," May/June 2023). I found it misleading to state that one kilogram of fusion fuel (which has zero emissions and on-demand availability) can replace 55,000 barrels of oil, six million kilograms of natural gas, or 10 million kilograms of coal. To put this into context, is that the energy required to create fusion energy is barely less than the output.

Yes, there have been some encouraging breakthroughs, but they are a long way from delivering the results that the article would lead one to believe are already available. In my view, some supplemental commentary is in order. In the laudable efforts to move to a more sustainable energy future, out of context reporting is not helpful.

*—James A. Hutchison, CPA, CA*
*Calgary, Alta.*

## From the ground up

I think the layout and information in the "Buying the Farm" (March/April 2023) infographic is truly arresting and ought to be a warning shot across Canada's bow to our leaders and policy makers and a signal to change course. The loss of prime farmland is evident in most of, if not all, communities and feels quite scary. Be it lost to housing or, more recently where I live in south-western Ontario, a huge battery plant (and a proposed site for a mega hospital).

Proponents will argue that crop yields have improved and can continue to offset any loss. Meanwhile, the Malthusians amongst us are not so sure.

What is clear is that it forces prices up. And just as menacing as the increasing population may seem, so is the strained or failing infrastructure—be it in housing, medical care or roads.

Surely, I am not alone in thinking that all the increasing measures our governments take and more invasive policies they adopt do not solve the problems, but in fact exacerbate them. Of course, an easy riposte to that is "it would be worse if we didn't take these steps..." Which cannot be proven or disproven.

I say we need change.

*—Alastair Fleming*
*Windsor, Ont.*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PIVOT

VOLUME 6 | ISSUE 5

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**PUBLISHER** CPA Canada
**ASSOCIATE PUBLISHER** Douglas Dunlop
**MEDIA SALES DIRECTOR** Nicole Mullin nicole.mullin@stjoseph.com
**ADVERTISING SALES, ACCOUNT REPRESENTATIVE** Karen Kahnert karen.kahnert@stjoseph.com
**TRANSLATION** CPA Canada Language Services
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*Pivot* is published six times a year by Chartered Professional Accountants of Canada in partnership with St. Joseph Communications. Opinions expressed are not necessarily endorsed by CPA Canada. Copyright 2023.

**TORONTO**
277 Wellington St. W., M5V 3H2,
Tel. (416) 977-3222,
Fax (416) 204-3409

**MONTREAL**
2020 Robert-Bourassa Blvd., Suite 1900, H3A 2A5,
Tel. (514) 285-5002,
Fax (514) 285-5695

**SUBSCRIPTION INQUIRIES**
Tel. (416) 977-0748 or 1-800-268-3793
pivot.subscriptions@cpacanada.ca

**ONLINE**
cpacanada.ca/pivotmagazine

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Additional annual subscriptions are available at the following rates: members, $32; students, $45; non-members, $55. Single copy, $5.50. Outside Canada: $89 for a one-year subscription; $8.90 for a single copy. GST of 5% applies to all domestic subscriptions. For subscription inquiries, call (416) 977-0748 or 1-800-268-3793 from 9 a.m. to 5 p.m., Monday through Friday; fax: (416) 204-3416. GST registration number 83173 3647 RT0001. Publications Mail Agreement No. 40062437. Printed in Canada. ISSN 2561-6773. Return undeliverable Canadian addresses to the Toronto address above. *Pivot* is a member of the Canadian Business Press and Magazines Canada. 

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# FIRST IN

PURPOSE DRIVER

# THE DIFFERENCE MAKER

Former Patagonia CEO and beacon of "out and proud leadership" Rose Marcario is putting her business experience to work in a race toward ensuring environmental regeneration **BY ALEX CORREA**

**As the daughter of a single mother** growing up in the 1970s, Rose Marcario witnessed firsthand the financial pressures that society can place on people who are already struggling. So, she decided that a career in business and finance would provide her with the most economic stability—"it was all about survival." Marcario absorbed the lessons of business and combined them with a desire to achieve societal and environmental good. She joined outdoor gear and apparel company Patagonia in 2008 as their CFO, then COO and eventually became the company's CEO.

Her experience at Patagonia emboldened her to achieve more in the area of sustainability. Marcario left in 2020 to work with upstart companies Meati, Rivian, SPUN and ReGen Ventures; each led by founders also seeking to make a positive impact on the planet. There is still much work to do, but she maintains her optimism. "Capitalism must evolve to include people and the planet if we are going to have a livable future," she says.



PHOTOGRAPH BY **BRANDON HARMAN**

**What drew you to Patagonia and, during your tenure as CEO, how do you feel that you helped shape the company?**
It was in some ways a very conventional type of company retailing apparel, but it was unconventional in its commitment to environmental causes, its culture, its willingness to speak out on issues and its model of corporate philanthropy. As I got deeper into the company, it represented to me a fully human way of doing business and was aligned with my values.

It also gave me a chance to work with Yvon Chouinard [Patagonia's founder], which was a real education. I learned from him how to build philanthropy into the corporate model, which I think we're seeing a lot of companies do now. We championed the Benefit Corporation movement, which is a great example of using business as a positive force.

I set simple goals for myself when I became CEO: Leave the company in better shape than I found it. Do work that would endure and be built upon. Train the next generation. Be an example of love in action leadership and work my way out of a job.

I think I brought a bolder vision to Patagonia's business and advocacy; I brought my skills in building out a profitable, global multi-channel business committed to the brand values. The company grew to well over $1 billion in revenue when I was CEO, which was really a by-product of doubling down on the brand values.

**How does your experience in private equity and tech help with your current work in sustainability?**
Without question the work needed on sustainability is enabled by capital sharply focused on scaling the transition toward a livable future. I would argue at this point we need to go beyond sustainability to regeneration and restoration of our beautiful living planet because we have done so much damage. We need innovation to solve the climate crisis, to build responsible and resilient supply chains; to adapt to a changing world.

When you look at the big systems changes needed—energy, food, means of production, healthcare—all of them can become more renewable, restorative and regenerative with the right kind of technology and innovation applied. Technology can even help people change their behaviors to be more planet and people positive. I think it's one of the most important tools we have, it's a key to the great transition we need to make away from harmful broken systems which are now threatening life on Earth.

PHOTOGRAPH BY BRANDON HARMAN

**What were some hurdles you faced as an up-and-coming leader in business?**
When I was coming up, I was very often the only woman executive in the room. It was not common back then, and so all the informal networks male leaders leverage were closed to me. The boy's club is a real thing. But those experiences made me more resilient and adept at dealing with challenging situations. In most executive jobs, pay equity was an issue to contend with.

Of course, coming out as a lesbian in the late 90s in corporate America was not easy, it came with its challenges and trade-offs. I was a public company CFO at the time and I worried it could ruin my career, but I just couldn't hide myself anymore. So, it's good to see progress now, but still it feels very incremental. There's a lot of work to do.

**With your consistent appearances in *Fast Company's* Queer 50 annual list, you've become an example of LGBTQ representation and influence in business. What do you see as the biggest hurdles still facing members of the LGBTQ community in leadership and business?**

Representation matters—it inspires, it soothes, it opens minds and hearts. There are many challenges we face, not the least of which is the rise in forces that seek to erase LGBTQ people and turn back the societal progress we've seen in the last 50 years. There are still places with repressive laws and we are seeing more repressive bills introduced every day around the USA. LGBTQ employees who work in companies or live in areas where they feel unwelcome or discriminated against are less likely to thrive. Work is where the self meets the world, and people do their best work when they are their full selves. We need everyone thriving to make the big societal transitions we are faced with.

I also think it is very important for LGBTQ people to see themselves reflected in business, culture and the arts. This is one of the reasons I personally made the choice to represent out and proud leadership. If I can be a role model for someone coming up, show them that it's possible to find and build companies that will welcome you, that will invest in your success, you can become a CEO or whatever it is you want.

**Through Meati Foods, Spun, Rivian and ReGen Ventures, you are working in a variety of different sectors. What drew you to these companies?**

When I left Patagonia, I wanted to be as much use as I could be toward this great transition we need to make as a society. Meati is making high-quality plant-based protein from mycelium, a renewable resource, with a mission to feed the world. Rivian is a leader in a clean mobility revolution and made nature one of its shareholders at its IPO by creating a fund for nature and biodiversity. SPUN is an NGO started by a brilliant evolutionary biologist, Toby Kiers, who's mapping the worldwide mycorrhizal fungal networks by mobilizing scientists and democratizing the data to help restore and regenerate the planet. ReGen is an early-stage venture fund which I am partner in. The kinds of technologies we're funding enable regenerative agriculture, climate resilience, food security, plant-based food alternatives, and new production inputs that come from regenerative resources. So, in all cases the work is for a better future.

PHOTOGRAPH BY PETER BOHLER

## THE BIGGEST CHALLENGE FOR ANY COMPANY IS HAVING A STRONG CULTURE BUILT ON A PURPOSE THAT GOES BEYOND PROFIT


**2**

Number of times Rose Marcario has appeared on *Fast Company*'s Queer 50 list, which started in 2020

**With all these ambitious environmental goals, what do you feel is the end game? And how long until it is within reach?**

I think the end game is renewable energy systems including grid, power management, mobility, regenerative food systems. All things that lead to clean air, safe water to drink, healthy topsoil, healthy communities, thriving biodiversity—a better world.

2030 is a very important inflection point for us. If we can keep global temperature rise below 1.5 to 2 degrees Celsius, we will have made incredible progress for humanity. If we don't manage to do that, we are conscripting future generations to an apocalyptic future filled with extreme weather events, mass migrations, ecosystem collapse, food insecurity, resource scarcity, and more.

And we have the tools: we have capital, we have a motivated workforce who cares about these issues. We have most of the technology right now to significantly reduce emissions and move us toward the end state I describe, but many governments are still subsidizing the harmful status quo, or actively squashing innovation.

We need courageous leadership, collaboration and vision.

**What are the challenges facing businesses that are looking to be both profitable and sustainable? Is it possible to prioritize both?**
I think it's a false choice. I believe the most successful brands of the future will have responsibility and sustainability built into their business models. The customer is changing, there is less desire for rampant consumerism. The public want companies to be part of the solution—not the problem.

The biggest challenge for any company is having a strong culture built on a meaningful purpose that goes beyond profit. Many of the initiatives Patagonia became most known for were not all cost trade-offs, they were challenges with a positive purpose that caused our colleagues to come up with brilliant ideas, or work in optimistic collaboration with suppliers to solve problems. Still, our customers rewarded us and voted with their dollars when it came to making purchases because they could see we were working with transparency, talking equally about our failures and success, but always working toward a more livable future. ◆

# THE SHOW WILL GO ON

In 2022, the average ticket price for North America's biggest concerts surpassed US$100 and the 200 biggest world tours generated a record-setting US$6.28 billion. 2023 is poised to be even more lucrative. No concert tour has earned US$1 billion yet, but with both Beyoncé's Renaissance World Tour and Taylor Swift's The Eras Tour underway, that could change soon. **BY STEVE BREARTON**

## Beyoncé vs. Taylor Swift

**Beyoncé Renaissance World Tour**

**Taylor Swift The Eras Tour**

| | Beyoncé | Taylor Swift |
|---|---|---|
| Concerts | **57** | **52** |
| Ticket price range | (for Vancouver show) **$176 to $7,100** | (US$) **$49 to $899** |
| Previous touring gross (combined) | **$767.3 million** | **$936.8 million** |
| Estimated revenue | Estimated Renaissance revenue: **As much as $2.4 billion** | Estimated The Eras Tour revenue: **As much as $1.6 billion** |

## Ticket prices surge for the biggest acts

Average ticket prices according to online reseller TicketSmarter for this year's biggest tours as of June (updated daily)

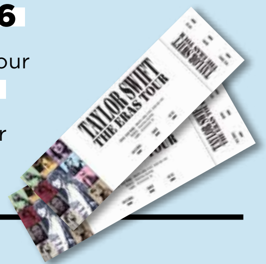
**Taylor Swift** *The Eras Tour* **$5,622.42**

**Metallica** M72 World Tour **$878.62**

**Bruce Springsteen and The E Street Band** 2023 Tour **$748.56**

**Beyoncé Renaissance** World Tour **$708.10**

**Madonna:** The Celebration Tour **$529.68**

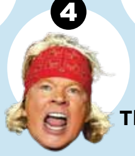



## Highest-grossing concert tours of all time

1. **Elton John** Farewell Yellow Brick Road Tour (2018-23) **$853M**

2. **Ed Sheeran** The ÷ (Divide) Tour (2017-19) **$776M**

3. **U2** U2 360° Tour (2009-11) **$736M**



4. **Guns N' Roses** Not in This Lifetime... Tour (2016-19) **$584M**

5. **The Rolling Stones** A Bigger Bang Tour (2005-07) **$558M**

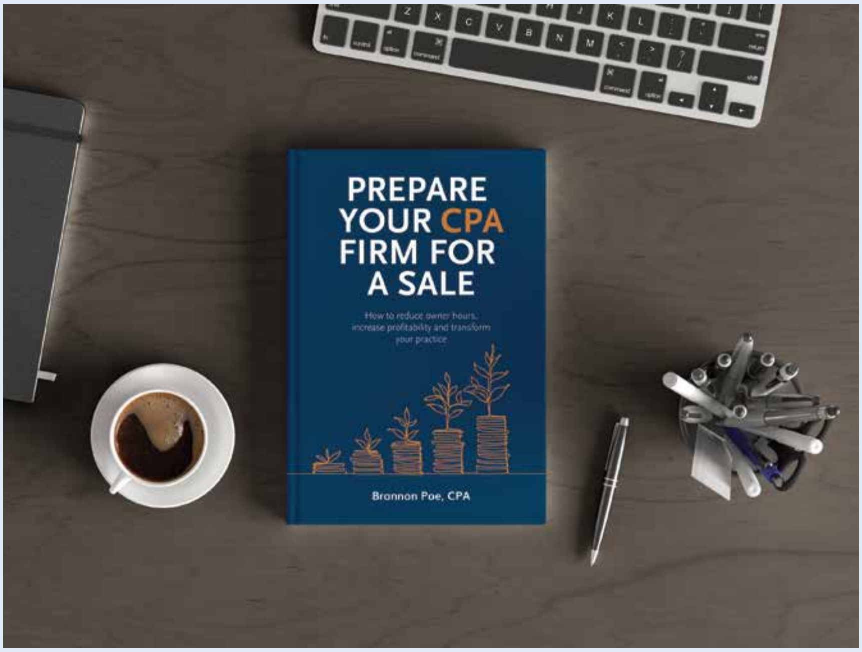
PHOTOGRAPHS BY GETTY

SOURCES: TICKETSMARTER, TOURING DATA, POLLSTAR, BILLBOARD AND FORBES

# What should I stop doing? Create capacity in your firm by doing less

Want to prepare your accounting firm for a sale? Streamline your practice with a mergers and acquisitions perspective from Poe Group Advisors and Accounting Practice Academy.

**BY BRANNON POE, CPA**




Capacity is a big challenge for a lot of firm owners, especially in light of the staffing shortages in the industry. Here are three ways to create capacity in your firm that do not include a new professional hire.

## 1 Analyze Entire Segments

First, take stock of your current mix of services. Analyze all of the segments of your practice. You may notice that one or more segments are either breaking even or even losing money when you analyze the work you could be doing instead. For many firms, there's usually an opportunity to eliminate a segment.

A good example would be personal tax returns your firm is processing that are not associated with a business. Unless you're doing a lot of those efficiently and pricing them appropriately, those can be a big drag on a practice. In a recent analysis of our deals, we noticed a very high correlation between firms with too many personal tax returns sitting longer or not selling, compared to other firms.

More often than not, they had less cash-flow-to-owner and more staff turnover. In a tight labour market, overworking your staff with tax work is not an attractive employee-retention strategy. We have seen that buyers are increasingly staying away from firms with too many personal tax returns.

## 2 Let Clients Go

Analyze your client list and see who is profitable for the time spent. Often, smaller clients are not. Unfortunately, this can be true of large clients too. Sometimes, the biggest client can be the biggest problem and can not only be a drain on time, but on morale. Let go of the difficult and the underpriced clients that cannot be offered more services or charged more—fee increases alone will not help reduce your client roster.

Selectively letting clients go can be a tremendous source of capacity and a driver of staff retention. Poe Group's "Letting clients go" letter can be found on the resources page of the Accounting Practice Academy website.

## 3 Delegate

Once you have pruned some unnecessary segments and clients, you can capture more time through delegation. You may not need more professional staff to add capacity. Administrative personnel, which is a little easier to find, can be a huge relief for your team. Firms can assess their workflow to find ways to delegate duties from professional staff to administrative staff. If you are not sure where to start, download our "3 Bucket tool" to see how your team can rearrange work to suit staff expertise and optimize time spent on tasks firm-wide.

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If you would like to learn more about capacity strategies, download our new complimentary book, *Prepare Your CPA Firm for A Sale* at **PoeGroupAdvisors.ca/Prepare**

THE ECONOMIST

# WHITHER THE RISK-TAKERS?

With an aging population, we need entrepreneurs even more than we need workers

DAVID-ALEXANDRE BRASSARD

The older population is truly in the driver's seat. We see their impact across a labour market that is asking for more employees, a health care system under pressure and struggling public finances. It also means the retirement of many entrepreneurs: 64 per cent of entrepreneurs are 45 years old or over, while 37 per cent are 55 and over. Even if retirement comes later for them, it has implications for business transfers, sales and closings.

The question of entrepreneurial succession is a complex one, and not as simple as the labour issues associated with an aging population: it's hard to predict, and we can't reach an irrefutable conclusion. The available data on entrepreneurial intentions are, at best, uncertain. How intentions translate into business creation or acquisition can vary wildly between people and can change over time. Nevertheless, it needs to be on our radar due to the implications it could have, which include unwanted consolidations, increasing foreign ownership, viable businesses closing, and the potential increase of inequalities.

**Where will the "next generation" of entrepreneurs come from?**

Research from Business Development Bank of Canada (BDC) has highlighted that family succession will amount to only a quarter of exit options for entrepreneurs. Family succession or business transfer is more frequent for larger businesses (with more than 20 employees), leaving smaller businesses, which account for 87 per cent of businesses in Canada, to rely on a business sale or closing as an exit strategy. In fact, business sales are more than twice as likely than business transfers in all industries apart from agriculture, construction and transport.

It would not be an issue if we had sufficient buyers, but entrepreneurs intending to sell their businesses far outnumber entrepreneurs intending to buy businesses in six out of 15 industries. Therefore, a significant chunk of the "next generation" of entrepreneurs needs to come from outside of the business, or even industry. If not, it could prove problematic for sectors other than real estate, which is more accessible. Hence, we need "outside" investors or career transitioners to join the entrepreneurial ranks in Canada.

**Is the current context suitable for entrepreneurial aspirations?**

The pandemic has been harsh for businesses and entrepreneurs. At our lowest point, 100,000 businesses shut down across the country, and it took a year and a half to get back on our feet. As for

entrepreneurs, there are 50,000 fewer people who identify as self-employed individuals supporting other paid workers, compared to pre-pandemic. Meanwhile, private sector employment has grown by 10 per cent, indicating an imbalance between employment and entrepreneurship.

**64**
Percentage of entrepreneurs who are age 45 or older

I would also argue that Canadians are not positioned favourably to invest or take risks. With significant wealth going into—or already tied to—real estate, younger generations have a harder time generating wealth and banks are risk averse. If you add the lingering inflation, higher interest rate environment, and economic uncertainty, you have overlapping issues that make it harder

ILLUSTRATION BY KAGAN MCLEOD; PHOTOGRAPH BY ISTOCK for Canadians to buy and build businesses or simply envision it.

Additionally, the country doubled down on public sector employment (governments, health and education) during the pandemic. It's understandable: the public sector tends to act as a buffer by maintaining hiring throughout an economic downturn. Public sector employment is accompanied by public pension plans which put people in "salaried" positions even during retirement. The leap from that to entrepreneurship can be a big one. With approximately 21 per cent of our workforce in the public sector, one can wonder if the growth of that sector is truly desirable to foster entrepreneurship across the country.

### Is a tight labour market a solution or a hindrance to entrepreneurship?

The tight labour market (due to an aging population) means that employment is and will be available in the foreseeable future, apart from the potential short-term economic slowdown due to high interest rate hikes. The potential impact on entrepreneurship is that the labour market ends up being the default go-to career, even more than it currently is. However, it can provide a safety net for Canadians who might be more inclined to take entrepreneurial risks.

For current entrepreneurs, attracting workers will be the key to business growth and they might eventually fight for workers harder than they fight for clients or customers. As for entrepreneurs on the verge of retirement, transferring ownership is a tool to attract and retain talent. The gradual transition from employees to entrepreneurs could be how we lure Canadians over to entrepreneurship. But it takes two to tango: entrepreneurs have to initiate ownership transfer and employees need to be willing to shoulder that responsibility and take a leap. ◆

**THE PANDEMIC WAS HARD ON ENTREPRENEURS, RESULTING IN AT LEAST 100,000 BUSINESS CLOSURES**

*David-Alexandre Brassard is CPA Canada's chief economist*

SOCIAL Qs

# CANADA'S ECONOMY IS MISSING $30 BILLION

Indigenous engagement is a much-needed piece to this country's economic prosperity **BY DORETTA THOMPSON**

**Canadian GDP estimates** attributable to Indigenous Peoples range from $32 to $49 billion. Surprising for some, but according to the National Aboriginal Economic Development Board, if Indigenous Peoples' economic outcome equaled that of the population as a whole, that number would almost double.

The legacies of colonialism, racism and the intergenerational impact of assimilation policies are still very much with us. Significant gaps in rates of poverty, food and housing insecurity, education and training, unemployment, and median income continue.

What is Canada losing by not including Indigenous peoples? For a start, comparable economic participation would mean an additional $8.5 billion in income earned annually by a fully engaged Indigenous workforce. 173,000 fewer Indigenous people would be living in poverty—reducing government spending on economic inequality by $8.4 billion annually.

As part of Truth and Reconciliation, Canada needs to own our historical past and recognize the harm Indigenous peoples have and continue to suffer. Canada's oldest chartered bank was founded in 1817 by Montreal fur traders. Indigenous peoples were at the heart of that trade but were largely excluded from its economic opportunities. More than 200 years later, Indigenous peoples are still fighting for their rights.

Canada's Indigenous population is growing at more than double the national rate. Economic prosperity must include them.

What can we do to achieve economic and social parity? Work toward better supports for Indigenous economic inclusion. Include entrepreneurship in Indigenous high school course curricula. Support procurement from Indigenous-owned companies. Ensure wealth sharing and equity ownership of resources developed on Indigenous lands. That would be a good way to start. ◆

*Doretta Thompson is financial literacy leader at CPA Canada.*

GUEST COLUMN

# WHAT'S A BANK TO DO?

With central banks across the globe struggling to manage inflation rates, strong governance strategies are the best ways to mitigate reputational risks

JANET COSIER

With the rapid rise in inflation last year, central banks responded by sharply increasing interest rates over a relatively short period of time. These decisive actions have created mismatches on balance sheets of many central banks across the globe. As a result, large financial losses are being reported on central bank balance sheets that are expected to continue over the next several years.

Given the drawbacks in accounting for the financial losses as negative equity or as a deferred asset, recapitalization of capital reserves is the most optimal solution to manage this balance sheet financial risk over the next few years. Bolstering capital reserves will strengthen the central bank's financial health, independence, accountability and transparency.

**Balance sheet expansion**

During the pandemic, central banks used quantitative easing as a monetary policy tool to ease financial conditions and strengthen economic recovery. This involved large-scale purchases of longer-term government bonds from financial institutions, which significantly increased the size of the central banks' balance sheets.

The funds used to purchase the bonds were placed in the deposit accounts held by the financial institutions at the central banks, significantly increasing the total amount of interest-earning deposit liabilities.

With interest rates rising sharply to combat inflation, central banks started to pay out considerably higher interest rates on their deposit liabilities than they were earning on their bond portfolios. The difference in the interest rates resulted in significant financial losses for central banks, which are expected to continue over the foreseeable future.

**Financial losses**

Typically, central banks remit portions of their profits to their governments. However, due to recent financial losses, profit remittances to governments have been reduced significantly, and in many instances the remittances have been entirely eliminated.

In the current high-inflation economy, the financial losses related to quantitative easing are likely to continue, with cumulative financial losses expected to be substantial. Each central bank should consider estimating the cumulative losses under different interest rate assumptions. The results of the estimation process are critical for the central bank to better understand the implications for the bank's capital reserves and government finances. The cumulative expected loss information should be made publicly available and included in the central bank's Audited Financial Statements and Annual Reports.

Capital investment—where the government invests additional capital into the central bank to bolster the latter's capacity to cover financial losses—may be the most optimal solution to manage and report expected financial losses. Increasing capital reserves openly recognizes the true financial costs related to quantitative easing in a timely manner in the financial statements of the central bank and in government finances. Maintaining adequate capital reserves respects international capital requirement reforms promulgated for the banking sector. Plus, a strong capital structure promotes the accountability and transparency of the central bank in a period when central bank leadership is paramount.

**STRONG CAPITAL STRUCTURE PROMOTES THE BANK'S LEADERSHIP WHEN IT IS NEEDED MOST**

**Capital adequacy**

In the wake of the 2007-08 financial crisis, the Basel Committee on Banking Supervision, comprised of central banks and regulatory authorities, developed Basel III—an international regulatory framework designed to improve the regulation, supervision and risk management of the banking sector.

The reforms set out minimum capital requirements and counter-cyclical buffers that can improve financial institutions' abilities to handle financial stresses and strengthen transparency and disclosure.

Central banks lack a common framework to guide the determination of capital adequacy requirements in relation to the financial risks that a central bank faces. A principle-based international

ILLUSTRATION BY KAGAN MCLEOD; PHOTOGRAPH BY ISTOCK framework, similar to that of Basel III, developed collaboratively by central banks and other key stakeholders, may be beneficial as a starting point for each central bank in assessing its own minimum capital requirements, and a counter-cyclical buffer under certain conditions.

**Risk Management**

To respond to the rapidly changing external and internal environments, central banks are enhancing their financial and enterprise risk management frameworks to make them more robust and forward looking.

Such financial and enterprise risk management frameworks should identify emerging risks that are considered to have a low probability of occurrence but moderate-to-serious consequences. These consequences may lead to serious financial, operational or reputational consequences for the central bank.

Scenario analysis is a valuable tool which helps the central bank identify a range of scenarios that can reveal potential hidden and unforeseen risks. It's particularly effective when performed with a diverse group of professionals with different knowledge and expertise to identify the various possible scenarios and consequences.

From a risk governance perspective, emerging financial risks for each of the central bank's core operations should be presented in the central bank's Enterprise Risk Management reports. Emerging risks need to be discussed with senior management, as well as with the Finance and Audit Committee and the Risk Committee of the board of directors.

For decades, central banks worldwide have been successful in achieving their policy objectives, which have contributed to economic growth, safe and efficient financial systems, and secure banknotes that people can trust. More recently, with high rates of inflation, high interest rates, large financial losses, and economic and financial uncertainties, criticisms have been raised about the central bank's ability to conduct monetary policy, its independence, and the need for enhanced accountability and transparency. To effectively manage these criticisms, clear and consistent communications are essential to protect the central bank's reputation and strengthen public trust. ◆

*Janet Cosier, FCPA, was Chief Risk Officer at the Bank of Canada in Ottawa before retiring and is currently the course session chair at the Central Banking Institute in the areas of risk management, strategic planning and leadership.*

PHOTOGRAPHS: DRAKE AND THE WEEKND BY **GETTY**; COINS BY **ISTOCK**

# SHAM, WOW

A catalogue of recent cons **BY ANDREW RAVEN**

## GOING, GOING, GONE

The tech industry may have fallen on hard times but in the dark corners of the internet, business is booming.

Last year, Canadians reported losing a record \$530 million to fraudsters, with much of that money stolen by cyber criminals, according to the RCMP.

The Mounties said the most common fraud last year was phishing. But what they called "investment scams" were by far the most lucrative for con artists. Canadians lost millions to these financial frauds, which include cryptocurrency scams that involve coin offerings and Ponzi schemes.

The \$530 million lost in 2022 was a nearly 40 per cent jump from 2021—and it's likely only the tip of the iceberg. The Canadian Anti-Fraud Centre, a partnership between law enforcement agencies, estimates that as little as five per cent of people report fraud.

## FORTUNE LOST

A senior in Burnaby, British Columbia has lost \$7.5 million in what police describe as an elaborate, months-long cryptocurrency con.

Burnaby RCMP said the fraud was one of the largest "personal scams" the department has ever investigated.

Officers say a fraudster reached out to the Mandarin-speaking woman via text in early 2022 and over time cultivated a friendship with her.

The scammer convinced the woman to pour millions of dollars into what was supposed to be an online cryptocurrency trading platform. Police say the site wasn't real, describing it as a "spoof." The woman regularly checked what she thought was her balance but was stymied when she went to withdraw money.

Burnaby RCMP and other law enforcement agencies are investigating the case.

## FRAUD'S PLAN

For a brief moment earlier this year, the single *Heart on My Sleeve,* a slow groove with references to Selena Gomez and Lamborghinis, went viral.

Billed as a collab between Canadian megastars Drake and The Weeknd, the track seemed almost too good to be true for Canuck hip-hop fans.

That's because it was.

The song was actually the brainchild of a mysterious sheet-wearing music producer named Ghostwriter, who reportedly used artificial intelligence to mimic the voices of the Toronto-born pair.

While the song was a burgeoning smash, Universal Music Group, the label home to both Drake and the Weeknd, was not pleased. It flagged *Heart on my Sleeve* as a possible copyright violation and the song was quickly removed from streaming platforms, according to *The New York Times*.

The track's release came as Universal called for a crackdown on AI-generated music. And it came after another fake Drake tune reportedly prompted the *God's Plan* singer to declare "This the final straw, AI."

BY THE NUMBERS

# INVESTING IN OURSELVES

High interest rates, surging prices and ongoing fears of a recession have many households anxious about their finances and the economy as a whole. A February survey of 2000 Canadians by TD Bank reported that around six in ten adults didn't contribute to any investments last year and the market was too risky for them to invest in early 2023. Despite that current uncertainty, most Canadians are investing in themselves. —*Steve Brearton*

**More than three-quarters of adult Canadians invest their money.**

**77%**
Percentage of adult Canadians with investments, according to BMO.

## Who is investing in Canada?

Investor profile, according to a 2022 survey by the Ontario Securities Commission

Employed full time
**45%**

Employed part time
**8%**

Retired
**29%**

Student
**5%**

Currently not working
**5%**

Homemaker
**2%**

## Trillions in Canadian investment assets

Investment assets held by Canadians, latest available year (2023):


**Amount Canadians believe they will need to retire in 2023, according to a BMO Economic survey.**

SOURCE: THE 2023 BMO ANNUAL RETIREMENT STUDY


**Canadians still aren't saving enough**

Years by which people in Canada are expected to outlive their savings, according to a World Bank report:

Men
**9.9**
YEARS

Women
**12.6**
YEARS



SOURCES: CPA CANADA, CO-OPERATORS GROUP, ONTARIO SECURITIES COMMISSION, J.D. POWER, MORNINGSTAR, LEGER, TD BANK, BMO FINANCIAL GROUP, KPMG, HELLOSAFE, STATISTICS CANADA AND THE WORLD BANK.

## Return of select investments during 2022

**+5.5%**
Hagerty North America classic car index

**+7.1%**
Liv-EX Fine Wine 100

**-8.2%**
S&P/TSX Composite index

**-19.2%**
S&P 500 index

**-18%**
Global Artprice Index

**-65.3%**
Bitcoin

## Cryptocurrencies gaining traction as an investment

**13%**
Percentage of Canadians who have bought Bitcoin or Ethereum directly, according to a 2022 KPMG poll.

Age of respondents who had bought Bitcoin or Ethereum:

**24%**
**Age 18 to 24**

**19%**
**Age 35 to 44**

**5%**
**Age 55 to 64**

**+4.9%** In March and April, a basket of 38 stocks chosen by AI chatbot ChatGPT **rose nearly 5%** compared to a 0.8% drop by the UK's most popular investment funds, averaged over the same period. A 2023 University of Florida study found ChatGPT "can yield more accurate predictions and enhance the performance of quantitative trading strategies."

## Repaying debt is Canadians' top financial priority in 2023,

according to a December 2022 survey by CIBC.

**Repaying debt**
**18%**

**Keeping up with bill payments**
**17%**

**Growing investments**
**14%**

## Not all Canadians trust their financial advisors.

"Advisors don't control the ups and downs of the market but too often clients give them credit and blame for investment returns."
—*Craig Martin, Global head of wealth & lending intelligence,* ***J.D. Power, May 2023***

**43%**
Percentage of Canadian full-service wealth management clients with a financial plan who **do not agree** that their advisor's recommendations are in their best interests, according to a 2023 J.D. Power Investor satisfaction survey.

**38%**
Percentage of those same full-service wealth management clients who say they don't think their advisor understands their financial goals and needs.

## Most Canadians invest *without* professional advice

How Canadians manage their investments, according to financial services provider HelloSafe:

**By themselves**
**65.3%**

**With a manager at a brokerage or bank**
**29.2%**

## Canadians are worried about those investments.

**64%**
Percentage of Canadians occasionally or frequently worried about the value of their investments in January 2023, according to a Leger poll. The previous year, **the number was 55%**.

PHOTOGRAPHS BY **ISTOCK**


# TRICKLE

BY LIZA AGRBA

## A massive amount of money is beginning to change hands—and cross generations. This transfer of wealth will have a profound impact on both the haves and have-nots

# DOWN

PHOTO ILLUSTRATIONS BY ADAM CHOLEWA

**A seismic quantity of wealth** to the tune of $1 trillion is set to move from Canadian baby boomers to their Gen X and millennial heirs between now and 2026. It's predicted to be the largest generational transfer of wealth in Canadian history—accelerated in part by the increasing popularity of "giving while living"—with potentially significant downstream effects on the country's economic landscape. But the transfer's broader impact may be a mixed bag—we're passing the torch to a generation armed with exceptional social consciousness, but risk exacerbating Canada's widening wealth gap. And, even for fortunate beneficiaries, being prepared to receive a windfall can mean the difference between a financial leg up and the chaos that can befall families without clear-cut estate plans.

"This is top of mind for financial advisors and our clients alike," says Sabrina Fitzgerald, PwC's national leader for private clients and family businesses. "Not a day goes by without this wave of wealth transfer coming up."

And while the windfall was long coming, the pandemic seems to have nudged it higher on Canadians' priority lists. A recent Manulife Investment Management survey found that the pandemic spurred around one in five respondents to review their estate plans and/or update their will, and of those who already have a will or estate plan, 28 per cent are increasingly discussing it with an advisor or their inheritors.

"Conversations about death and money are taboo for many Canadians. Families generally didn't want to talk about this before, partly because people don't love discussing their own demise," says Alana Riley, head of mortgage, insurance, and banking for IG Wealth Management. "In recent years, this has really evolved. People are looking more closely at their estate plans, and older adults increasingly express a desire to pass on their wealth before they die so they can see their families enjoy it."

But available data and anecdotal reports suggest Canadians are largely not prepared to manage the money they inherit. An Ipsos poll conducted on behalf of RBC Insurance found that 61 per cent of Canadians don't feel knowledgeable about (or haven't even heard of) the probate process—the process of establishing the validity of a will—and 57 per cent don't know that certain insurance policies can mitigate estate tax burden. "There's not enough open dialogue between families about how wealth will be passed down, and what's to be done with it," says Allison Marshall, RBC's vice-president, high net worth planning services and financial advisory support. "Planning conversations are not happening early enough."

When it comes to proper estate planning, the stakes for families are enormous, and one would be hard-pressed to find a financial advisor without a few horror stories to tell. "I can count way too many times where families are destroyed following an inheritance—they're no longer speaking to each other, they're fighting over the estate, and what the bequeather intended for the inheritance simply does not occur," says Riley.

In some cases, the problem isn't the absence of a good accountant or estate lawyer, but a lack of synergy between them. Marshall recalls a recent case in which a client updated their estate plan and will, meaning to split their assets between their two children. A new life insurance policy was purchased with the intent to have the death benefit go to one child. Meanwhile, for good tax-planning reasons, the family accountant recommended placing the policy inside a family-owned corporation and naming the corporation as beneficiary. However, the shares of the corporation were to be inherited by just one of the children. "There was an assumption that the policy was to be owned personally by the client, but instead it was owned by the corporation, whose shares were to be inherited by just one sibling," says Riley. "I've seen this before, especially with clients with complex wealth structures." The message? Have someone look at the whole picture, and make sure the left hand knows what the right hand is doing.

To the layperson, the term "wealth transfer" may bring to mind billionaires bequeathing enormous sums and setting up prodigious family trusts. When it comes to preparedness, that misconception may be part of the problem. "Planning is needed regardless of the size of wealth being transferred," says Marshall. "There are so many things you can do from a tax and probate planning perspective, and the consequences of not doing so can quickly erode an inheritance. It's almost more important that families that aren't necessarily high net worth have a clear-cut plan in place, because you don't want to squander the amount that is there."

And yet, it's true that the majority of wealth in Canada is held by a relatively small number of families, and a massive wave of wealth transfer could exacerbate that problem by fortifying existing imbalances. At the end of 2022, the wealthiest families in Canada (the top 20 per cent) accounted for two-thirds of the country's net worth—the bottom 40 per cent accounted for just 2.6 per cent. Meanwhile, recent economic pressures, including the skyrocketing cost of living, mortgages, and credit card debt, decreased the net worth of Canada's least wealthy households by 16.3 per cent—nearly triple the rate of decrease for the wealthiest households. And the problem is worsening—in a 2023 Angus Reid survey, 34 per cent of Canadians said that due largely to rising costs of living, they were in "bad" or "terrible" financial shape—up six percentage points from last July.

**34**

**Percentage of Canadians who say they're in bad financial shape**

**16**

**Percentage reduction of the net worth of Canada's least wealthy households, due to high cost of lving**

"In my view, from a socioeconomic standpoint, increasing inequality is the biggest concern when it comes to the impending wealth transfer," says David-Alexandre Brassard, CPA Canada's chief economist. "We want to avoid turning into the United States, where generational wealth plays a very significant role in how well you do financially. That's already partially the case in Canada, and we want to avoid it getting worse."

But doing so, according to Brassard, is not nearly as simple as taxing windfalls, though tax reform could be part of the picture. In his view, the government has centred too much focus on tax-advantaged accounts like TFSAs or the new tax-free First Home Savings Account. "To reap the rewards of these accounts, you need to have generated the necessary income to contribute to them in the first place," he says. "I feel that we are creating incentives that primarily benefit people with high income or high wealth, which is not necessarily where we want to go as a country."

Canada's tax system primarily focuses on income rather than wealth, and while this approach has its advantages, it can become problematic during retirement when individuals can leverage tools to manipulate their finances and remain in lower tax brackets—even when they have significant wealth. "Let's be honest. A normal person who is not that wealthy will not be able to structure their wealth such that they end up in a tax-advantaged position in a given fiscal year," says Brassard. "You have to have a certain level of wealth to play that game."

Linking benefits and taxation to wealth, rather than only taking income into account, is more of a logistical burden from a government perspective, but could help level the playing field between Canada's haves and have-nots.

**“Older adults increasingly express a desire to pass on their wealth before they die so they can see their families enjoy it”**


Likewise, Brassard thinks we should consider taxing a higher percentage of capital gains, but adjusting for inflationary loss of value. “Investment income as realized through capital gains is not treated like regular income,” he says. “And that’s really beneficial for people who can get into capital gains, but to get there you need to invest, for which you need to have made significant income—or inherited it. Could we tax capital gains like income and just retract the gain of value that comes from inflation? I think we should look into that.”

Beyond tax reform, Brassard suggested levelling inequalities could mean enhancing financial literacy, addressing housing issues, and increasing access to education by lowering the cost of post-secondary studies.

**It’s no secret that a renewed focus** on environmental, social, and corporate governance (ESG) has rocked the business world in recent years. ESG considerations are increasingly influencing investment decisions, and investment funds aligned with these values are gaining popularity. Canada’s proverbial pot of gold moving into the hands of millennials—a generation with a level of environmental and social justice consciousness that many studies suggest dwarfs that of their parents and grandparents—could spell an even larger trend towards corporate social responsibility.

According to a 2021 Harris Poll study conducted in the United States, approximately one-third of millennials primarily or exclusively use investment vehicles that take ESG into account, as compared to 16 per cent of Gen X and 2 per cent of baby boomers. It’s likely that this marked disparity is only partly due to curiosity—nearly three quarters of the U.S. population indicated some interest in sustainable investing, but younger generations generally have more nimble portfolios and thus greater access to the increasing preponderance of ESG-focused investment options.

Fitzgerald says, “The inheriting generations seem more apt to get involved in a business’s social impact. What’s our ESG strategy? How are we minimizing our carbon footprint? I’m generalizing, but the next generation seems to want to talk about this much more than the leading one. I think that’s a really positive direction for the business world overall.”

There’s another pandemic-related silver lining here: when it comes to younger generations inheriting businesses and steering them towards ESG, Fitzgerald and many other accounting professionals have noticed owners handing over the reins earlier than they expected to before the COVID-19 pandemic. “Even the first six weeks of the pandemic were a big eye-opener for people, and since then we’ve been in a polycrisis environment between war, inflationary pressures,

**“There’s not enough open dialogue between families about how wealth will be passed down and what’s to be done with it”**


persistent supply chain issues, and so on.” Fitzgerald says that for many business owners, this put a spotlight on the future of their business—and their legacy.

“Many owners are recognizing that the world has shifted in significant ways, and their business has to transform to survive. And so they’re transferring ownership sooner rather than later,” Fitzgerald says. It will be a gradual transition, but she thinks there’s ample room for optimism. Younger generations transforming businesses to thrive in today’s landscape—from adopting novel technologies to sharpening focus on social responsibility—may not only help fortify the future of Canadian SMEs but yield positive social impacts for society at large.

For one thing, the wealth transfer means good news in the realm of gender equity. Canadian women are expected to inherit $900 billion in assets by 2026, putting them in a position to control nearly half of all accumulated wealth in the country for the first time. Some inheritors belong to younger generations, but this wave is partly driven by life expectancy—women tend to outlive their spouses and thus often become the first beneficiaries of an estate.

**80**

**Percentage of women who change their wealth advisor following the death of a spouse**

Meanwhile, in a statistic that tends to alarm financial advisors, up to 80 per cent of women will change their wealth advisor following the death of a spouse, suggesting advisors tend to not have an equal relationship with both parties. “That means there’s an incredible opportunity in the advising industry to make sure you’re developing relationships and having complex discussions with everyone who stands to inherit,” says Riley of IG Wealth Management.

In general, advisors agree that the impending movement of wealth means an incredible chance for their industry—along with accountants, estate lawyers, and other professionals—to play crucial roles in Canada’s emerging economic landscape. “I think one thing we can all collectively agree upon is that the opportunity here is massive, for Canadians in general and for financial professionals,” says Riley. “Not only do a lot of people stand to inherit money, but between blended families and other factors, there’s a great deal of complexity to account for. All these threads are coming together and, as an industry, we must leverage our best financial planning and wealth management advice. It’s needed now more than ever.” ◆

# Could a donor-advised fund help address the proposed AMT changes?

The 2023 federal budget proposed AMT changes that would greatly impact anyone donating publicly listed securities as a tax-efficient way to support charitable causes. But a donor-advised fund might be a tax-planning option to consider. **BY ABUNDANCE CANADA**

Historically, donating publicly listed securities—which qualify for a zero capital gains inclusion rate—has generated significant tax savings for individuals. Starting in the 2024 tax year, the proposed alternative minimum tax (AMT) changes could significantly reduce those savings. Individuals who make donating to charity an integral part of their financial and tax planning may need to revise their giving strategies.

A donor-advised fund (DAF) could be a solution. Here's why.

## THE CHALLENGE

**Changes to the AMT calculation**

In the 2023 federal budget, the government announced changes to the AMT calculation, stating their goal of "ensuring the wealthiest Canadians pay their fair share." If these changes are approved, the AMT rate will rise significantly from 15.0 per cent to 20.5 per cent, and the exemption amount will increase from $40,000 to $173,000 (indexed annually to inflation).

Changes to the calculation of the AMT were also introduced, such as:

- Full inclusion of capital gains under the proposed rules, up from 80 per cent under the existing rules
- Including 100 per cent of the benefits from employee stock options
- Increasing the capital gains inclusion rate for donations of publicly listed securities to 30 per cent from 0 per cent
- Limiting certain deductions and expenses, as well as most non-refundable credits, to 50 per cent—this includes the non-refundable tax credit generated by a donation receipt.

Let's consider a client who annually donates significant amounts of publicly listed securities to charity. Under the new AMT rules, they would include 30 per cent of the capital gain from the donated securities (previously 0 per cent), and their donation tax credit would be reduced from 100 per cent to 50 per cent, impacting the tax efficiency of this gift-planning strategy.

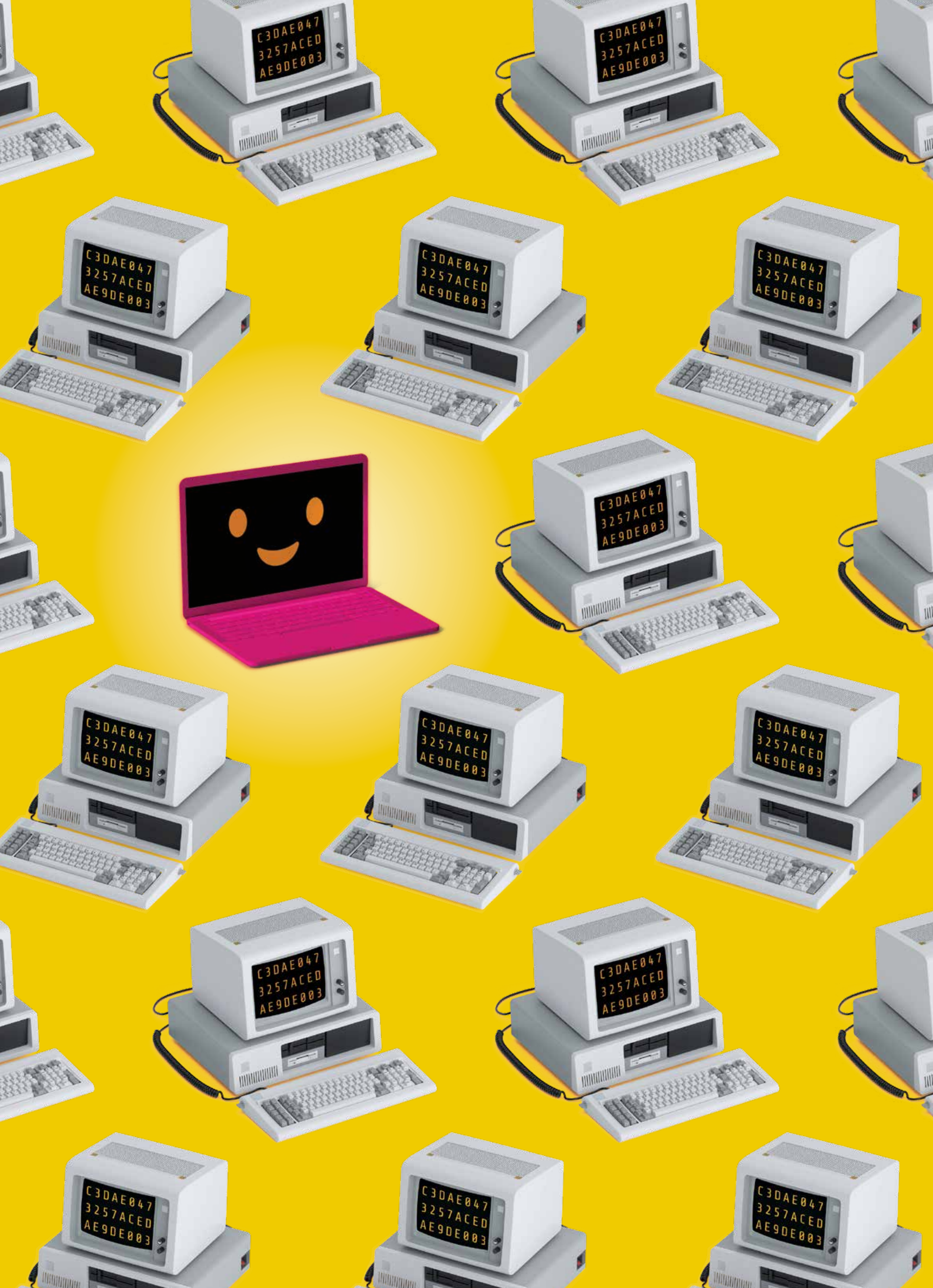
## THE SOLUTION

**Consider setting up a DAF**

DAFs are charitable gift-planning structures offered by public and private foundations, as well as some charities (the DAF holding entity). Donors contribute to a DAF when they need the donation receipt (matching the donation to the taxable event). Then they recommend which charities should receive grants from the DAF, when, and for what amount. Essentially, it allows someone to donate now and distribute later.

Individuals considering a future taxable liquidity event and donation could accelerate those plans into 2023. A DAF would provide a parking lot for their accelerated 2023 donations, which could then be used to support charities in future years.

Not all DAFs are alike, so it is important for your clients to explore options and understand how DAFs work within various DAF holding entities. This will ensure the DAF they choose can achieve their objectives.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# AI ADVANTAGE


**While there's still a lot to worry about when it comes to AI, accounting and financial professionals are finding ways to make it work for them**

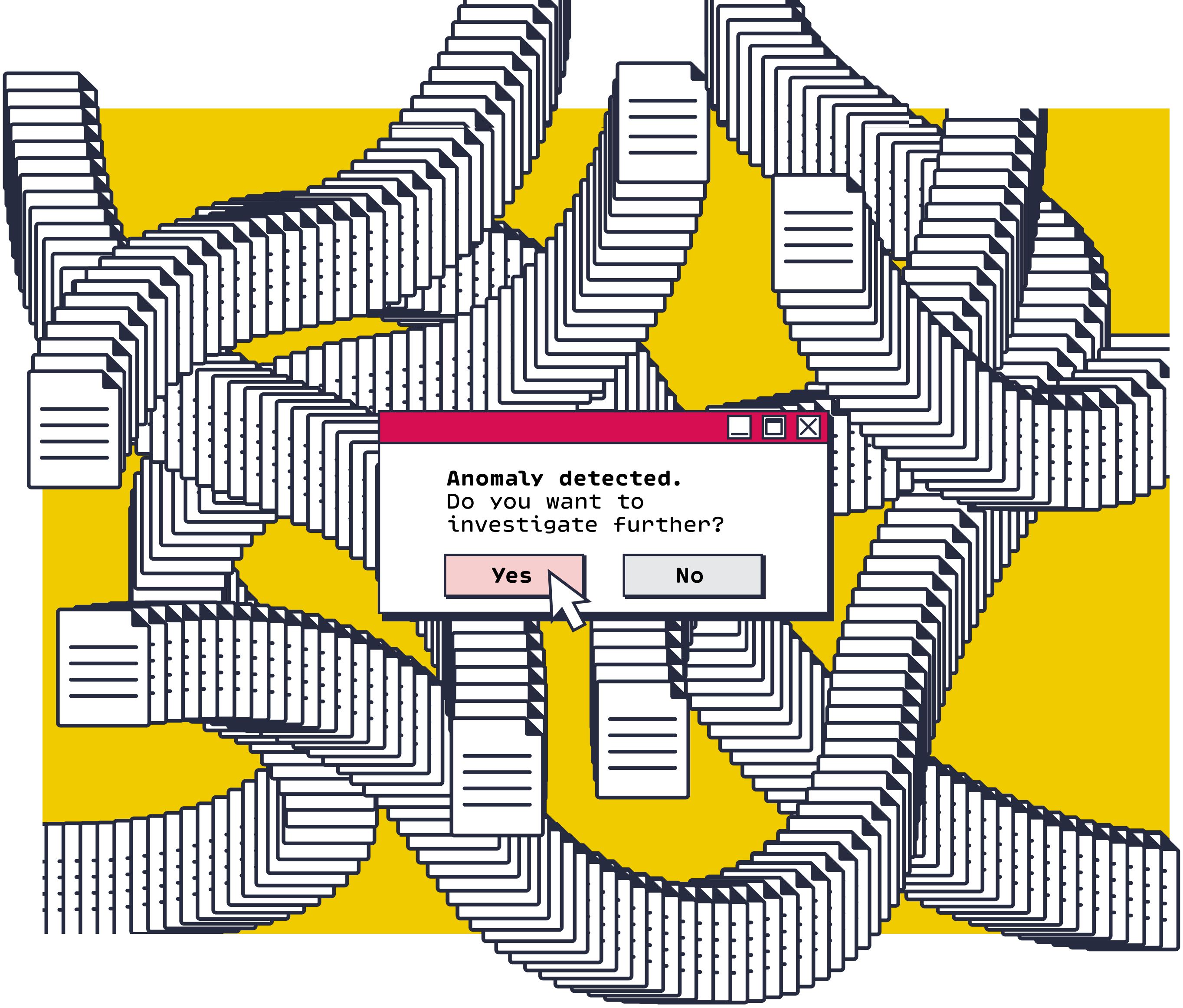
**BY SRIVINDHYA KOLLURU**

PHOTO ILLUSTRATIONS BY **CINDY LUBINIC**


**Bryant Ramdoo,** partner and national audit and assurance innovation leader at KPMG in Canada, began his career as a CPA in 2006. At the time, Facebook had just launched, Apple was filing trademarks for its now iconic iPhone, and Ramdoo was still using paper audit files in binders. Suffice it to say, artificial intelligence (AI) was in its infancy. The concept of advanced AI was mostly relegated to studies like those in scholarly articles at the University of Toronto (U of T). In 2006 Geoffrey Hinton, a U of T faculty member, cognitive psychologist, and computer scientist, along with a Ph.D. student, Ruslan Salakhutdinov, had just published a research paper on how large neural networks—the bedrock of deep learning algorithms—could be effective in real-world applications.

Fast forward to the 2010s, when digital assistants like Apple's Siri and Amazon's Alexa hit the market. Since then, technological leaps in computer hardware and software have thrust several AI tools into everyday life. "Now we're at the point where there's been an explosion of data, along with tools and technology that allow us to process that data," says Ramdoo. "Companies are now harnessing that data to conduct financial audits with the help of AI."

While these advances have exciting applications for fields like accounting, researchers and experts are sounding the alarm on the dangers associated with the potential misuse of AI. Even Hinton, who is now regarded as the godfather of AI, stepped down from his role at Google in April 2023 to speak out on the risks of AI. Hinton joined Google to conduct research in deep learning in 2013 while remaining with U of T's Department of Computer Science. Still, experts in accounting and AI agree that if executed carefully, these powerful algorithms can make the jobs of CPAs easier.




Take auditing, for example. As any auditor will tell you, the job involves time-consuming, repetitive steps, from poring over sample transactions to analyzing data sets to conducting surveys. This is where companies like MindBridge come in. Based in Ottawa, MindBridge is a risk discovery and anomaly detection platform that uses AI to help auditors make their jobs more effective by identifying, surfacing, and analyzing risk across broad financial datasets. The company has raised more than $40 million since its founding in 2015 and in April announced a global alliance with KPMG.

KPMG is infusing the power of MindBridge AI into its smart audit platform, KPMG Clara, to improve anomaly detection in digital audits. Where auditors would traditionally only be able to find a needle in a haystack of risky financial transactions, Ramdoo says MindBridge has already looked at every piece of hay so it can be identified in seconds. "So, instead of trying to find the needle in the haystack, the tool gives us the ability to look at an entire field of haystacks at once," adds Ramdoo.

Rachel Kirkham, VP of AI and product at MindBridge, explains that it can be difficult for auditors to figure out where to focus. "If you are a large company with lots of data, pinpointing the areas of risk is hard," she says. MindBridge can process up to 500 million records for an analysis, and then analyze that data to identify the transactions that need further investigation. "In an external audit, that gives you a better understanding from the starting point about what the risk is in the data," explains Kirkham, who spent nearly 10 years at the U.K. National Audit Office researching the applications of AI and leading a team of data scientists and analysts in developing data analytics capabilities for financial audit. "It allows auditors to focus on sampling or selecting transactions that look most unusual to execute their audit testing. So this becomes a much more efficient method than the traditional ways."

MindBridge uses different risk indicators—machine learning-driven, statistical or rules-based—and then combines them in an ensemble AI, which enables its users to focus on the most unusual transactions. Those transactions could be found in a company's general ledger, payroll, charge card, or a list of vendor payments, Kirkham says. The software loads the data and runs machine learning analytics,

**Bryant Ramdoo**
national audit and assurance innovation leader, KPMG Canada

PHOTO ILLUSTRATIONS BY CINDY LUBINIC

and then the output shows the user ranked risk information, allowing the auditor to see risky transactions more easily. "When I started out, I was the guy who had to assess those individual transactions manually," says Ramdoo. "Now we have a tool that, with a couple clicks, [can give] insights that would've taken weeks or months if we even tried to attempt that historically."

Besides saving time, Ramdoo explains that the MindBridge tool embedded in KPMG Clara allows auditors to understand parts of algorithms and exactly why that transaction was triggered as high risk. "It's avoiding situations where an algorithm just picks a transaction and we can't explain why," he says. This is known as explainability—a set of processes and methods that explains results to human users in a way they can trust and understand.

The first step to transitioning to using AI in accounting and finance, Kirkham explains, is to get familiar with the different types of AI and how they apply to accounting. MindBridge, for example, looks at transactional information and uses a type of AI known as anomaly detection, which is different from something like a large language model, which forms the basis of tools like OpenAI's ChatGPT.

Once a company has a good sense of how AI tools can help and how they might fit into their own data strategy, then MindBridge's Kirkham suggests thinking about what change management strategies will need to be put into place. She asks, "Does it require people to think about change on a managerial level, whether it's people, processes, or tech?" Based on those decisions, companies can then think about the processes that need to be changed and what skills their CPAs (present and future) will need to use them.

It can also help if there's someone already at your firm who has a deep interest in the technology. This is because a new AI tool is kind of like an intern who's eager to learn and contribute to the company, says Erin Kelly, president and CEO of Advanced Symbolics Inc., an AI-focused market research firm based in Ottawa. When training an AI on bookkeeping, users have to start "thinking" like the tool so they can figure out the best ways to get it to do things properly. "Now, if you get the wrong person to do it who doesn't have that enthusiasm, they could end up cutting corners," she says. "And when you cut corners, the AI gets stuck on that, and it will compound the errors."

With that said, the problem really lies in security and privacy, says Kelly, referring to experts like Hinton who are voicing concerns about the dangers of AI. "We need new legislation, and we need to get started now because AI technology is coming out the door faster than the government is dealing with it."

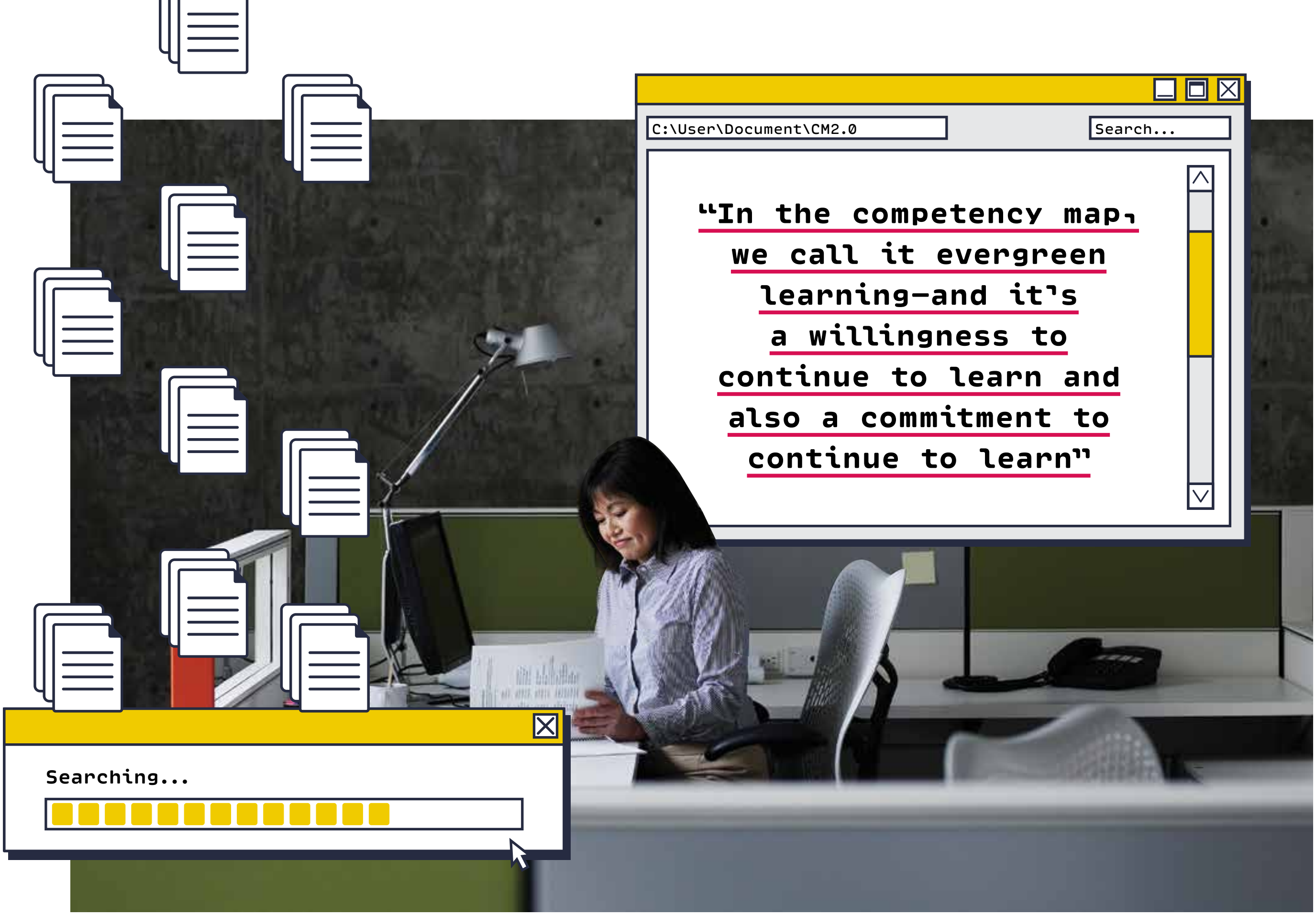
Geoffrey Hinton, cognitive psychologist and computer scientist, was once known as the godfather of AI. But now he warns of the existential risks of the rapidly evolving technology

Since accounting looks different in every company, incorporating AI doesn't come with a one-size-fits-all solution, Kelly emphasizes. She recommends firms consider how they plan to use the technology, especially since sensitive financial data is involved.

CPA involvement is important, says Kelly, in order to avoid handing over the metaphorical keys to an AI tool. We've had autopilot and AI on airplanes for a long time, but flights don't operate without a pilot on board. "It's the same thing for accounting," says Kelly. "You still have to be involved, you still have to watch it and make sure it's not making errors.

PHOTOGRAPH BY CHLOE ELLINGSON/THE NEW YORK TIMES/REDUX

"MindBridge allows auditors to focus on sampling or selecting transactions that look most unusual to execute their audit testing—much more efficient than the traditional methods"




And you, a human person, have to make sure you catch those mistakes. You don't want to get to the end of your fiscal year and find out that the AI was constantly being mixed up on something."

There are some programs available in Canada for upskilling CPAs on new tech. For instance, KPMG Digital Academy was built in partnership with Simon Fraser University in Burnaby, B.C., to prepare KPMG auditors for a future in accounting with courses that centre on data analytics, innovation, and AI.

Some of that training even starts at the university level. At U of T, accounting professor Minlei Ye assures that the curriculum has evolved to include a higher level of technological proficiency. This includes courses that cover topics like data analytics, basic coding, and the computer programming language Python. "I think the curriculum changes at the university [are done to adapt] to the changes in the broader auditing industry," says Ye.

Ye sees the potential for AI to be used in other areas of accounting like applying AI tools to help companies determine which accounting principles or policies to use in deciding the allowance for doubtful accounts. Typically, you would use past experience or estimates to decide how much percentage of the revenue will be a write-off to an allowance for doubtful accounts, explains Ye, adding that an AI tool could make that estimation more accurate, saving businesses both time and resources.

**Programs for upskilling CPAs on new tech and software are available in Canada, such as the KPMG Digital Academy, in partnership with Simon Fraser University**

On the soft skill side, Irene Wiecek, a professor of accounting at U of T, thinks it's important that students and CPAs be open to change, including technological changes. "It's being open to all the changes that are coming now and will continue to come," she says. "In the competency map, we call it 'evergreen learning'—and it is a willingness to continue to learn and also a commitment to continue to learn."

Wiecek was one of eight members on the Competency Map Task Force, which finished its work in March 2022. Wiecek explains that the new competency map, CM 2.0, does not explicitly require universities to teach students about AI because it's much more high level. Rather than having a list of topics that must be taught to CPA students, it leaves some flexibility to meet the needs of the university's employer partners who are hiring graduates. "We do talk about the CPA having to be tech savvy," says Wiecek. "So, emerging technology mindset and evergreen mindset are absolutely central to CM 2.0."

"If you want a career as a CPA, I think there's a lot to be optimistic about, such as not doing some of the mundane things and harnessing these tools to help you do your job better," says Ramdoo. This, he says, can look like spending more time driving insights for your client's business, doing better analysis, and having better—human-to-human—conversations. ◆

PHOTOGRAPH BY ISTOCK

# ARE *You* BEING SERVED?

*From labour shortages and supply chain issues to shifting consumer tastes, the Canadian restaurant industry has faced challenges over the last three years. But some are battling back with innovative appeals to customers and a renewed focus on the bottom line.*

**BY ANYA LEVYKH**

**FOR AN INDUSTRY** that has always operated on the thinnest of margins—on average between three and six per cent, with even the most highly successful operators only coming close to 10 per cent—the financial hit that the restaurant industry has endured over the last three years has been unprecedented.

According to Restaurants Canada, there were 303 bankruptcies in the foodservice industry in the first five months of 2023, the highest of any industry and representing an 89 per cent increase over the same time period in 2022. By comparison, bankruptcies for all other industries increased by only 30 per cent.

While the pandemic may be over, the industry as a whole is still reeling. As restaurant owners, managers, and workers find new, and often better, ways to work and serve their customers, many are still facing an uncertain future.

That holds true for both full-service, dine-in establishments and quick-service restaurants (QSRs). According to Andy Brown, partner in audit, consumer, and financial markets at KPMG Canada, these two types of establishments are facing different headwinds, but what they have in common is that both styles of restaurants have begun to focus on the overall dining experience. That means incorporating aspects of ESG into the dining experience—including ethically sourcing food, keeping an eye on reducing waste, and investing in new technology.


PHOTOGRAPH BY **JOHNNY C.Y. LAM**

Kostya Polyakov, partner and national industry leader for consumer and retail at KPMG Canada, says that in order to attract and keep customers, restaurants need to meet customers' expectations of what he calls their "social licence," which refers to sourcing food in a way that customers feel good about—for example, ensuring that food is sourced ethically. "At the same time, it's part of the solution to balancing out the economics," he adds. "If you as a customer say, 'I'd like to eat at a restaurant that has zero waste,' then that will cost the restaurant a significant amount to achieve. And the restaurant can say, 'That's fine. If you're willing to pay the extra cost for that, I'm happy to do that for you.'"

However, restaurant managers and owners need to balance ESG concerns with keeping an eye on the bottom line.

"In terms of dealing with rising labour and food costs, restaurants can balance this by significantly increasing their use of technology, both in terms of order intake and food prep," adds Polyakov. "If you look at some of the QSRs in the U.S., some of them have no order counter. Here in Canada, some brands have the option for you to order from a screen, but they still have a full staff complement taking orders. There is also a lot more robotic equipment to produce the food, especially in the QSR sector."

Brown has a different take. "Does that automation detract from the experience you've worked so hard to build to attract customers [to] your restaurant?" he says. "If you're ordering from a tablet, is that conducive to what you're trying to do—which is create an experience that's encouraging people to sit in your restaurant as opposed to sitting at home eating the same food?"

According to a 2023 survey by Square, 88 per cent of consumers agree that they would understand if their favourite local businesses raised their prices as a result of inflation and the rising cost of goods. Understanding and paying, however, are not the same.

"Everyone's bill has already gone up 20 to 30 per cent," says Michael Wozney, executive chef at The Capital Hotel in St. John's, Newfoundland. "And, being based in Newfoundland, we pay two

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**IF I'M LOOKING TO TAKE MY FAMILY OUT ON A FRIDAY NIGHT, THE RISING PRICES ARE MAYBE MAKING ME LOOK AT TAKEOUT INSTEAD**

**Michael Wozney, executive chef, and his Mexican food truck**


PHOTOGRAPHS BY JOHNNY C.Y. LAM

to three times more for transportation. So produce is even more expensive than on the mainland."

Wozney is also a business owner, operating a Mexican food truck during the summer months with his wife. "I work for a large hotel, but as a small business owner, the supply issue is even harder," says Wozney. "A lot of ingredients during the pandemic were no longer available, so we had to adjust our menus several times. It doesn't impact larger businesses as much because you're ordering from large-scale suppliers, but specialty items for our food truck became harder or impossible to find. And you can only raise prices by so much."

Another thing Wozney has noticed is that customers who used to come in for large dinners are opting to hold dinner parties at home instead.

That's an issue facing the entire industry, says Brown."If I'm looking to take my family out for gourmet burgers on a Friday night, the rising prices are maybe making me look at delivery pizza or takeout instead. The market dynamics are changing so drastically that QSRs are looking to see how they can capture the trade-down crowd that used to dine in."

Alex Sewrattan, CPA, MBA, is the director of finance at Pizza Pizza, based in Toronto but with 750 locations in Canada and Mexico offering dine-in and delivery/takeout service. Facing double-digit price increases on certain items, the chain decided to implement more tactical changes in pricing, rather than applying sweeping increases across the board.

"We really pride ourselves on being a value offering for our customers. But we need to balance what our customers are paying with the costs that our franchisees are incurring due to inflation and supply chain costs," Sewrattan says.

The chain focused on two metrics: how much an average customer spends per order and the overall traffic volume to its stores. "We've found that while individual order amounts have gone up slightly due to those increases, the number of orders has also increased," he says. "So the pricing structure has worked so far."

Alex Sawrattan, DOF, Pizza Pizza

PHOTOGRAPH BY NATHAN CYPRYS

As consumers have now become comfortable with home delivery of more than just pizza, the use of various delivery apps has created yet another headache for restaurant operators.

"The challenge for restaurants is that it's incredibly expensive for them," says Polyakov. "The fees for delivery services are in the low 20 per cent range."

Given that this is a significant piece of restaurants' margins, those fees don't seem tenable. "It's difficult for a restaurant to make money on a delivered meal," continues Polyakov. "So we're seeing a shift in how restaurants are approaching delivery services. And that's where we're seeing new concepts popping up." Those include "ghost" kitchens, in which a restaurant will create a separate off-site kitchen that is strictly for delivery, and doesn't interfere with existing service or operations at the main location.

Pizza Pizza, which has always made delivery available directly to the customer for more than 55 years, has looked at different ways to battle the incursion of third-party apps while still using them. "I think the biggest challenge for restaurants is getting people to order organically, meaning walking into a restaurant or ordering online directly from them," says Sewrattan. "When someone orders from us through a third-party app, we try to introduce them to our organic digital ordering channels, like our award-winning app and website. Then we can leverage our competitive advantage of convenience through our delivery in 40 minutes or free guarantee, as well as direct-order exclusive specials."

Then there's tipping, which, as we all know, has become a hot topic among restaurant patrons and owners alike. Complaints of "tipflation" abound as diners are encouraged to leave tips that can climb up to 30 per cent as a suggested minimum. Why are they so high? The answer lies in the traditionally low wages that front-of-house staff (servers, bartenders, bussers, etc.) and often also back-of-house staff (chefs, cooks, dishwashers) make. Could the answer be to avoid tipping altogether?

**20**
**Percentage of fees restaurants pay for the use of delivery apps**

**303**
**Number of bankruptcies in food service in the first five months of 2023**

**59**
**Percentage of Canadians who would prefer a no-tipping policy**

Pricilla Deo and her partner Colin Uyeda believe it is. When they decided to start a restaurant in Vancouver, they had a clear vision of the kind of food and experience they would offer. Folke opened in June 2022 with a plant-based menu that veered toward fine dining while still trying to be approachable enough for a casual Tuesday night dinner with friends.

It was a success from the start. Locals appreciated having another dining option among the slightly sparse offerings of the west Kitsilano neighbourhood, and the city's vegans and vegetarians embraced it. But it wasn't just the guest experience that the two owners were focused on.

Deo and Uyeda drew on their combined experience in the hospitality industry to decide on what they did and did not want for their staff. "Having been a pastry chef in fine dining restaurants and working typical 18-hour days, I knew exactly the type of environment I didn't want," says Deo.

This, in part, led them to their strict no-tipping policy. So strict, in fact, that they have chased customers down the street to return tips left at the table. Why? "Tipping culture is so toxic," says Deo. "It shouldn't be up to our guests to decide how much our staff makes. If a guest is just having a bad day or is in a bad mood, they're not going to tip as much. Everywhere else in the world, hospitality is treated as a career, except for [in] North America. And it should be a career, so we decided to make it our responsibility to pay our staff fairly."

And that can also make good business sense. "If people want to eat at a place where workers make a living wage, they will pay for that experience. And from an accounting perspective, dealing with income from tipping is more complicated [than dealing with salaries]," says Polyakov. "Tracking of tips for accounting here in Canada can be challenging, as how the tips are dispersed among the staff varies widely from one restaurant to the next. Some restaurants tip out at the end of the night, with everyone receiving a share of the tip pool. In some restaurants, the servers get to keep their tips, and other restaurants expect a certain portion of tips to be shared with kitchen staff."

**Pricilla Deo and Colin Uyeda, co-owners of Folke**

PHOTOGRAPH BY VISHAL MARAPON

Ian Tostenson, president and CEO of the B.C. Restaurant and Foodservices Association, agrees on the importance of making hospitality careers a serious pursuit. A study done by the BCRFA in 2018 in partnership with the B.C. provincial government found that for every three people who retire from or leave the industry, only two can be replaced with domestic labour and one would need to be sourced via immigration. The B.C. government also recently released its labour forecast for the next decade and it indicates that 38 per cent of the million workers that will be needed over the next 10 years will need to come through immigration, often via the Skilled Foreign Worker Program. In other words, labour is at a premium.

The industry has also seen a large attrition among its workforce as servers, cooks, bartenders, and bussers decided to leave restaurant work over the last three years for jobs that offered better pay, better hours, and fewer (if any) physical demands. According to a 2023 survey conducted by the payment app Square on the future of restaurants, 31 per cent of restaurants have been short-staffed for more than two years. And, according to an earlier report from Restaurants Canada and RC Intel, by February 2021, only 48 per cent of the

“

# THE CANADIAN FOODSERVICE INDUSTRY HAS TO FIND A WAY TO CREATE LONG-TERM CAREERS, SIMILAR TO THE EUROPEAN INDUSTRY

lost jobs in foodservice and accommodation were recovered, compared to 88 per cent for all other industries.

“We’re headed toward an industry that sees that it has to find the depth and resources to create long-term careers in food-service, like you see in Europe and most other parts of the world, where people don’t view working in a restaurant as a way to get to something else,” says Tostenson. “That being said, tips are still important. Most front-of-house staff earn around minimum wage, which is currently $16.75 in B.C. But they can make an additional 30 to 40 dollars per hour in tips, depending on where they work, so it’s the tips that are the priority. Even cooks and chefs, who always earn more than minimum wage because of demand, will get an additional five to 10 dollars per hour from the shared tip pool.”

At Folke, instead of tips, all staff are paid more than a living wage and receive full benefits (including mental health resources), paid vacation and sick leave, and schedules designed to promote a healthy work-life balance. “Our salaries are similar to what you would find if you were starting in the tech industry, which is very competitive,” says Deo, who’s worked in that industry herself.

According to a February survey from Angus Reid, 59 per cent of Canadians surveyed would prefer an all-inclusive, no-tipping model where staff are paid a higher wage.

The result of that model at Folke? The restaurant is fully staffed and often fully booked, and isn’t dealing with the labour shortages in the kitchen or front of house that most other restaurants are experiencing. Part of the reason for that may also be the nature of the restaurant itself, according to Tostenson.

“The staff at some places like Folke are attracted to a specific model. So, if you’re a vegetarian or vegan yourself, you’re more interested in working in a vegetarian or plant-based restaurant,” he says. “So it generally won’t have the labour issues of larger, more generalized operations.”

Tostenson does acknowledge the changing expectations of the workforce, however. “We were dealing with labour shortages long before and during the pandemic, and that continued after normal operations resumed, when the consumer demand for dining out bounced back to an extraordinary level, leaving restaurants with clamouring customers but not enough staff to look after them.”

Employers like Wozney have adjusted their hiring practices to compensate for those shortages. “We do rely a lot on recent immigrants, who may not have the skill set you’re looking for but are willing to learn. We’re also relying on leadership to be educators as well as managers,” he says. “Every day, I’m teaching not just the how but the why behind everything. And the hotel offers great benefits, stat holidays, overtime with double pay—you even get your birthday off with pay. They also offer great opportunities to be promoted from within and offer ongoing learning to managers. Most of my line cooks work an eight- to 8.5-hour shift.”

So what can CPAs do to help their hospitality clients?

“If you look not just at CFOs but at CEOs in Canada, many are CPAs, including in the restaurant industry,” says Polyakov. “As CPAs, our financial background gives restaurants ammunition for their business and a deeper understanding of the financial impact of every decision. We always say, ‘Give data a seat at the boardroom table’ as it’s mainly about guts to this point. Your customers will take you where you need.” ◆

**31**
Percentage of restaurants that have been short-staffed for at least two years

**48**
Percentage of jobs that have been recovered in the foodservice industry

**30**
Percentage of restaurant workers that will need to come through immigration


ATM
WELCOME

# TRUST THE SYSTEM

**Unlike some financial institutions to the south, Canadian banks have proven their resilience and durability through financial upheaval**

**BY JEFF BUCKSTEIN**

**ILLUSTRATION BY MATTHEW BILLINGTON**

A **financial shock** jolted the United States last March when Silicon Valley Bank (SVB), the 16th largest bank in the country with about $209 billion (U.S.) in assets, was shut down by the California Department of Financial Protection and Innovation. It was the second largest bank failure in U.S. history.

Just two days after SVB folded, New York-based Signature Bank, with more than $110 billion (U.S.) in assets, became the third largest bank in U.S. history to fail when this regional financial institution was seized by the Federal Deposit Insurance Corporation.

Then, on May 1, 2023, San Francisco-based First Republic Bank, with $229 billion (U.S.) in assets, displaced SVB as the second largest U.S. bank to fail, although its assets were bought by JPMorgan Chase & Co., the nation's largest bank.

Yet, in spite of this industry turmoil, a decade and a half after the 2008-09 financial crisis, and with more than 560 U.S. bank failures since 2000, no Canadian banks have gone under in the 21st century. Indeed, even during the Great Depression of the 1930s, when more than 9,000 U.S. banks failed, none failed in Canada.

The U.S. controls about 24.6 per cent of the global economy, calculated by gross domestic product. Yet the Canadian banking system, in a country that represents 2.2 per cent of the world economy, has proven to be quite resilient and even relatively insulated from financial crises.

"The U.S. and Canadian banking landscapes are completely different," says Shilpa Mishra, CPA, MBA, a Toronto-based partner and managing director with BDO Canada, and also the firm's national leader of capital advisory.

One key differentiator is that while the U.S. system consists of thousands of mostly regional banks, Canada's national banking system is dominated by six very large institutions that serve individual and business customers alike: Royal Bank of Canada, Toronto-Dominion Bank, Bank of Montreal, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, and the National Bank of Canada.

Every one of the big banks in Canada is essentially too big to fail, and there are very high odds the federal government would step in and rescue any of them, if needed, to prevent a failure, says Alfred Lehar, an associate professor with the University of Calgary's Haskayne School of Business. "I think the knowledge [that] the government is there also makes the banks less susceptible to any crisis," he adds.

"A strong and stable banking sector with well-diversified, well-capitalized banks [is] the best defence against an SVB-style scenario," says Mathieu Labrèche, director of media strategy and communications at the Canadian Bankers Association in Toronto. "We have that here in Canada, which is why we haven't had a major bank fail in 100 years."

He adds, "Many people who once perceived Canada's banking system as stodgy or risk averse finally recognized it for its prudent lending practices, diligent government oversight and sensible regulation based on two core tenets—safety and soundness."

That has also been recognized internationally: the World Economic Forum consistently ranks Canadian banks as being among the world's most stable, says Labrèche.

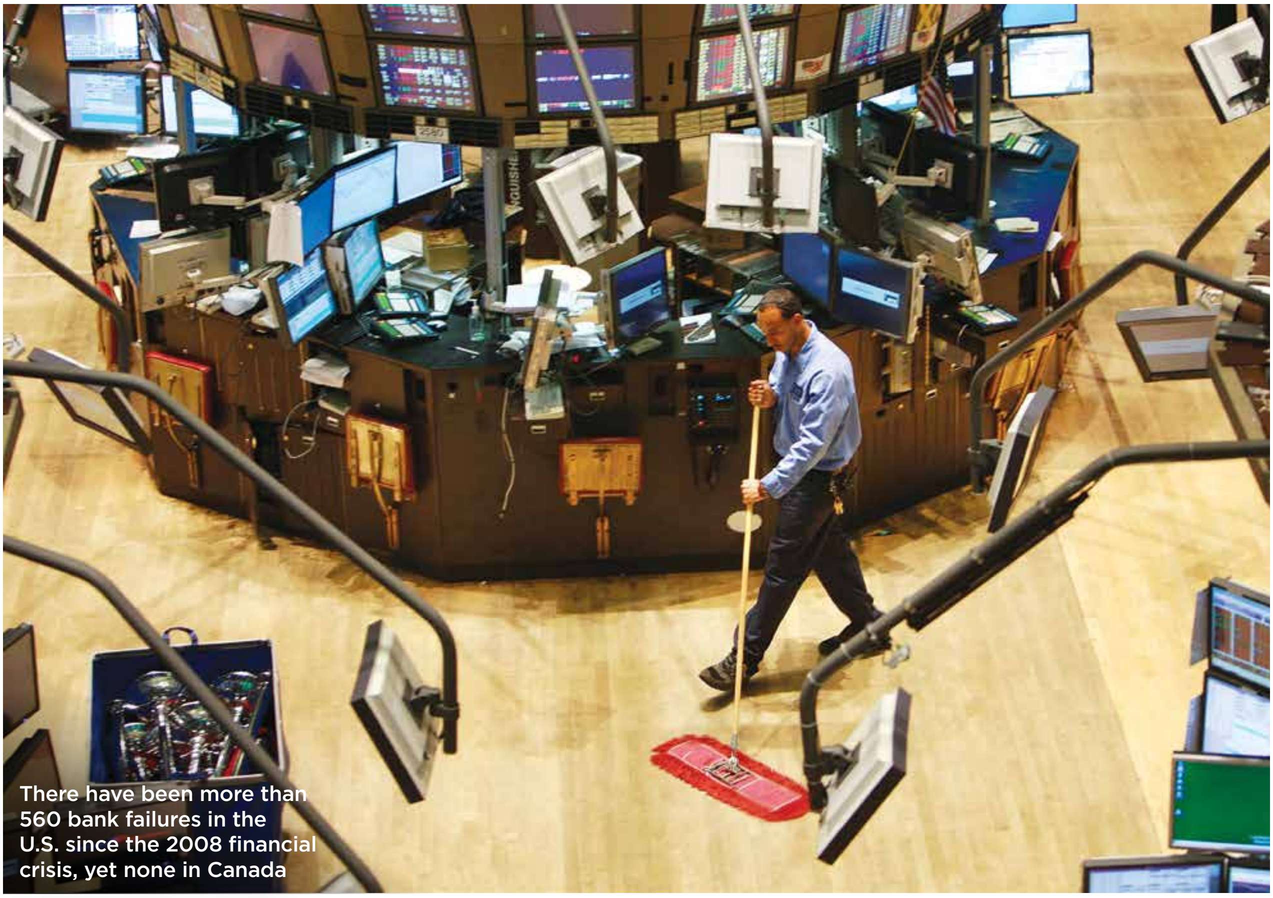
Silicon Valley Bank's collapse in March 2023 represents the largest bank failure since 2008

**The prevailing thought is that Canada's banks can't fail because the government won't let them fail**

"We have a more concentrated, less competitive banking system here in Canada," says Ing-Haw Cheng, an associate professor of finance with the University of Toronto's Rotman School of Management. "On the plus side, I think that has contributed toward a culture of less risk taking, and thus fewer failures here in Canada. You see this, for example, [in] the greater reliance on deposit funding as opposed to wholesale funding, which I think was key in the 2008 financial crisis."

The financial crisis was sparked by sub-prime mortgages when some U.S. banks started to lend to consumers who otherwise might have been considered high-risk. With more banks and therefore more competition for those customers, many quickly found themselves overburdened and overleveraged.

PHOTOGRAPHS BY GETTY




There have been more than 560 bank failures in the U.S. since the 2008 financial crisis, yet none in Canada

In Canada, there are, to some extent, more conservative lending practices when it comes to mortgages, he adds.

Canadian consumers also bear some of the interest rate risk associated with a mortgage, whereas, in the U.S., there is less risk on the consumer and more on the bank. Canadian consumers also help to keep banks profitable by paying for things like chequing accounts, and paying greater fees than U.S. consumers, Cheng says. More concentrated regulation is another key factor that experts cite to explain stronger Canadian banking stability.

All Canadian banks are subject to a single national prudential regulator, known as the Office of the Superintendent of Financial Institutions (OSFI), as well as a single consumer and market conduct regulator, which is the Financial Consumer Agency of Canada. As a result, "we have clear lines of sight in terms of what the expectations are from a regulatory perspective," says Alex Ciappara, vice-president and head economist at the Canadian Bankers Association in Toronto.

Regular legislative reviews also take place, typically about every seven years. The government and industry examine the legislative foundations of the banking system and raise questions about whether and what changes are required in order for Canadian banks to stay durable and resilient, says Ciappara.

However, regulation in the U.S. is "a bit more fragmented," says Cheng. For example, even at the federal level there are different authorities, including the Federal Reserve Board, the Federal Deposit Insurance Corporation (FDIC), and, in certain cases, the Office of the Comptroller of the Currency (OCC), he notes.

Especially during the 2008-09 banking crisis, "banks in the U.S. could pick and choose which regulator they wanted. There were instances where a bank didn't like the regulations of one particular regulator, and they moved to another," says Ciappara.

Moreover, some financial institutions in the U.S. aren't subject to certain regulations because of their size, says Rajesh Vijayaraghavan, an assistant professor of accounting and information systems at the University of British Columbia's Sauder School of Business in Vancouver.

For example, banks with assets between $50 billion (U.S.) and $250 billion (U.S.) are subject to less stringent capital and liquidity requirements than banks with assets in excess of $250 billion (U.S.), he elaborates. Mishra notes that over the past couple of years, prior to its demise, SVB had successfully lobbied the U.S. government to roll back regulations such that they were not required to conduct stress testing or regularly review their liquidity coverage ratio.

There are, says Mishra, three major factors that have insulated Canada's banks from the financial crises that have emerged in the U.S. with bank failures in 2008 and 2023.

First is a much more conservative regulatory regime in Canada, with a strong focus on interest rate risk management, balance sheet management, and liquidity risk management. "The issue that occurred with a lot of the bank failures south of the border had to do with two things—interest rate risk management and liquidity risk management, which are tightly regulated in Canada," explains Mishra.

The second factor is that Canadian banks have much more robust capital requirements than other parts of the world, so even if there is more pressure on the value of Canadian banking assets, they have a lot of capital available to provide a buffer against those losses.

The World Economic Forum consistently ranks Canadian banks among the most stable

Third, Canadian bank deposit and lending come from very diverse sectors, whereas, for example, Silicon Valley Bank was heavily focused on the technology sector.

Ciappara adds that Canadian financial institutions were less highly leveraged than their international peers in the pre-2008 financial crisis period. This reflected the fact that Canada had a regulatory cap on leverage at an asset-to-capital ratio of 20 to 1. As a result, major Canadian banks had an average asset-to-capital multiple of around 18 in 2008, while the comparable figure for many U.S. investment banks was over 25, and numerous European banks were well over 30.

Further, "with the reforms coming out of the global financial crisis, global regulators instituted a regulatory cap on leverage just as OSFI had done before the crisis," says Ciappara.

"We have strong levels of capital. Not only does OSFI set a minimum target—banks exceed that target. That was the case going into the financial crisis, and that's the case right now," he adds.

Mishra expects that the coincidence of the U.S. bank failures and the unprecedented speed with which they occurred will result in changes to both regulation and supervision. Those could include a re-evaluation that results in tighter capital requirements and stronger liquidity risk management, and possibly tighter supervisory frameworks.

In addition, Mishra also predicts that U.S. regulators will enhance and expand stress tests involving deposit analysis and customer behaviour analysis, as well as how bank security portfolios match with deposit characteristics.

In the week following the collapse of SVB, and subsequent fall of Signature Bank, the largest 25 domestic banks in the U.S. recorded an inflow of $120 billion (U.S.) in deposits, while small domestic banks had an outflow of $108 billion (U.S.).

But since then, according to Federal Reserve Board statistics, both large and small banks have experienced outflows, although smaller banks have seen a significantly larger decline.

Between February 2023 and April 2023, seasonally adjusted deposits at all domestic banks dropped by $402.7 billion (U.S.). The 25 largest domestic banks recorded a decrease of $168.3 billion (U.S.), which is a 41.8 per cent decrease, while deposits with the rest of the domestic institutions collectively declined by $234.4 billion (U.S.), or by 58.2 per cent.

**"We have clear lines of sight regarding the expectations from a regulatory perspective"**

It is hard for the U.S. to emulate the national Canadian banking structure because its current structure is so different, with many counties within states across the country, says Vijayaraghavan. "There are many counties in the U.S that do not have one of the large banks' presence in [them]. A household in the county might have to bank with only a small, very regional bank," he elaborates.

Ciappara says that with more than 4,000 banks, and facing increasing regulation, the U.S. still has a long way to go to move toward a Canadian-style system where investors and depositors rely so heavily on the larger banks.

In contrast, there is a high degree of trust and brand recognition in Canada's national banks, which is important in times of crisis. Because depositors trust their institution, they're not going to run to the bank and pull their money out, says Ciappara.

"Canada's banks are tested and trusted. They're strong and durable, and we've seen that time and time again. Think of the last three external shocks—the 2008-09 financial crisis, the pandemic, 2023. Tested and trusted is our brand here," says Labrèche. "Canada really is a paragon of safe banking," he concludes. ◆

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For outstanding leadership, engagement and dedication as facilitators of the In-Depth Tax Program. Congratulations to this year's winners!

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CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

# NOTICE OF ANNUAL MEETING OF MEMBERS

VIRTUAL MEETING VIA LIVE WEBCAST AT HTTPS://WEB.LUMIAGM.COM/486929643

Notice is hereby given that the 2023 Annual Meeting of the Members ("Members") of Chartered Professional Accountants of Canada ("CPA Canada") will be held entirely virtually via live webcast at https://web.lumiagm.com/486929643 on September 29, 2023, at 11:00 a.m. (EDT) for the following purposes:

1. to receive the financial statements of CPA Canada for the fiscal year ended March 31, 2023, together with the public accountant's report thereon;
2. the reappointment of MNP LLP as the public accountant for the current fiscal year; and
3. to transact any other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors of CPA Canada has recommended that the Members reappoint MNP LLP as the public accountant for the fiscal year ended March 31, 2024.

The annual financial statements of CPA Canada included in the 2022 – 2023 Annual Report are available at cpacanada.ca/2023agm. Copies of the annual financial statements are also available at the registered office of CPA Canada and any Member may, on request, obtain a copy of the annual financial statements free of charge at the registered office or by prepaid mail or by electronic mail by contacting customerservice@cpacanada.ca or 1-800-268-3793.

Members of CPA Canada as at August 23, 2023 and duly appointed proxyholders will be able to participate in the meeting, submit questions and vote, all in real time, by connecting to the meeting via the internet at https://web.lumiagm.com/486929643 using the latest version of Chrome, Safari, Edge or Firefox on their computer, tablet or smartphone.

Your vote is important. In order to attend and vote at the meeting, you will need to register at https://reg.lumiengage.com/cpa-canada-2023.

Further instructions in respect of Member participation in the meeting, including your ability to access the meeting using a control number, will be provided by email prior to September 29, 2023.

In order to receive the email, it will be necessary to register using this link: https://reg.lumiengage.com/cpa-canada-2023.

Members who are unable to attend the meeting and who wish to be represented may visit the CPA Canada website at cpacanada.ca/2023agm to obtain a proxy form.

Dated this 2nd day of August 2023.

On behalf of the board

Pamela Steer
President and CEO

Tina Singh drew on her work as an occupational therapist to design the Bold Helmet

PHOTOGRAPH COURTESY OF **BOLD HELMETS**

EXTRAORDINARY ITEM

# HEADS UP

When a Toronto-area mom realized there wasn't a helmet that her sons could safely wear, she took matters into her own hands **BY ISHANI NATH**

When Tina Singh thinks back to her childhood summers, she remembers biking around her Scarborough neighbourhood with friends. "It was a very freeing experience," she says—and one she looked forward to recreating with her children.

Singh's family is Sikh and as part of their faith, her sons keep their hair uncut, tied in a topknot and wrapped in a cloth called a patka. When her sons learned to ride bikes, Singh initially squished their patkas under helmets. "It wasn't perfect, but if you sized up a bit, it wasn't too bad," she says.

By law, Ontario cyclists under 18 must wear a bicycle helmet, and as an occupational therapist who works with head injury patients, Singh knew the importance of this safety measure. Bike injuries are one of the leading

causes of child and youth hospitalization, and studies indicate that wearing a helmet reduces the risk of head and brain injuries by more than 60 per cent.

But by the time Singh's eldest son was five, his helmet couldn't accommodate his patka. "I'm like, there has to be an easy fix for this," says Singh. When she couldn't find one, she decided to create one herself.

In the past, Singh had seen Sikh children wear helmets high atop their patka or simply not wear a helmet at all. "It's not going to be effective if it's not fitting in the way that it needs to," says Singh, adding that many Sikh boys drop out of activities, like hockey, simply because the necessary safety equipment isn't designed for them.

Working with her husband, who is an engineer, and testing different options with her boys, Singh eventually created Bold Helmets, "the first safety-certified helmet made with Sikh kids in mind." The 48 to 56 cm multisport helmet is designed for kids five and older. Available in red, blue, and matte black, Bold Helmets look similar to other helmets with one crucial addition: a built-in dome to accommodate a patka.

Singh's design offered a much-needed option to a community of 770,000 Sikhs in Canada and more than 25 million worldwide. After launching in January 2023, Singh was soon shipping Bold Helmets across Canada, the U.S. and the U.K. "I have struggled for years to find a suitable helmet to allow my boys to ride their scooters and bikes safely, without having to re-tie their hair," wrote one online reviewer. "They love that they can put these helmets straight on and ride!"

Singh can relate. She says seeing her sons safely enjoy the freedom of riding a bicycle through their neighbourhood, just as she did as a child, "feels like a full-circle moment."

The entrepreneur plans to expand Bold Helmets to include a medium-large bicycle helmet for children 10 and up, as well as patka-accommodating designs for hockey and ski-snowboard helmets. She also hopes to partner with resorts to include Bold Helmets as part of their rental equipment to make winter sport more welcoming for Sikh children.

Singh says her goal is not only to keep Sikh kids safe, but to send them an important message: "They never have to choose between who they are and what they want to do." ◆

BOOK VALUE

## FOOL PROOF

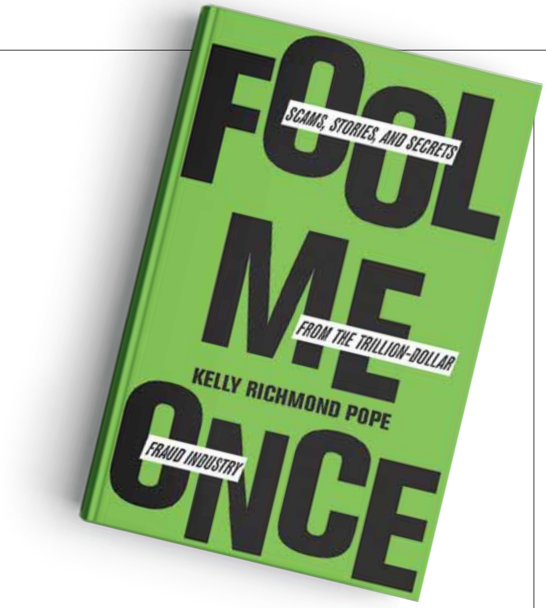
Forensic accounting expert Kelly Richmond Pope takes a hard look at the motives—and missed red flags—at the heart of some spectacular fraud cases

**BY BRIAN BETHUNE**

In the notoriously buttoned-down world of accountancy, forensic accounting professor Kelly Richmond Pope is a rock star. Her fame as a white-collar crime expert skyrocketed with her 2017 documentary *All the Queen's Horses*, a compelling story about the largest municipal fraud in American history. From 1990 to 2012, Rita Crundwell, a city comptroller in Dixon, Illinois, stole from her employer at the rate of $37,000 (USD) a day for a total of $53.7 million. But it wasn't the crime alone that propelled Pope into a deeper exploration of the fraud ecosystem in her new book, *Fool Me Once: Scams, Stories and Secrets from the Trillion-Dollar Fraud Industry.*

In 1991, Pope's father was forced to resign as chancellor of North Carolina Central University after a case of employee embezzlement. Dr. Tyronza Richmond was not involved in the

PHOTOGRAPH COURTESY OF BOLD HELMETS




crime, but took the rap for the oversight failure. "The specter of that debacle loomed over him for the rest of his life," his daughter writes. "And, I guess, mine too." Then there were the Crundwell red flags, as large as the theft itself. By the final years of her crime spree, Crundwell—a modestly paid high school graduate with no family wealth—was taking four-month unpaid leaves to manage what stolen taxpayer money had bought her, a multimillion-dollar Quarter Horse empire. From the gaping hole in the municipal coffers to Crundwell's lifestyle, no one in Dixon could connect the dots.

*Fool Me Once* covers years of Pope's research into the factors that facilitate white-collar crime and the damage it leaves in its wake. Much of the book draws on conversations with fraud perpetrators, victims and whistle-blowers—many of whom she invited to address her classes at Chicago's DePaul University. Although she provides prosaic details on the mechanics of various frauds, Pope's primary interest lies in motive, choice and blind eyes.

She now wants everyone, not just her accountancy students, to face what she considers an escalating problem. Worldwide, organizations lost US$3.7 trillion to fraud in 2019, according to the Association of Certified Fraud Examiners; by last year that figure, inflated by COVID-19 relief scams, was closer to US$5 trillion. And fraud is never victimless, she argues vehemently. It can even kill.

Robert Courtney was a compounding pharmacist, meaning one who made specialty drugs not usually available in a regular pharmacy. After 1990 he began watering down the amount of active ingredients in his prescriptions to increase his profit margins. It took more than a decade to catch him, despite the fact that cancer patients were not suffering their drugs' blatantly obvious side effects—hair loss and nausea—nor, of course, were they getting better. In 2002, Courtney pleaded guilty to diluting 98,000 prescriptions to a third of their required dosage for 4,200 patients, many of whom died.

Courtney exemplifies what Pope considers fraud's three-pronged root: the intersection of opportunity (he worked unmonitored in a lab), pressure (he owed the IRS $600,000) and rationalization (they're cancer patients and going to die anyway). He was also a deliberate perpetrator, as opposed to the accidental sort, who stumble into their crimes, find they have escaped notice, and experience an epiphany. Diann, who Pope does not further identify, mistakenly charged a personal trip to her company credit card rather than her own. When that brought no response, Diann doubled down, charging more to the company. As a financial officer, she even gave herself an unauthorized raised, and eventually embezzled $500,000.

For Pope, what really links perpetrators is how long it takes for their crimes to be noticed, even when the alarm lights are flashing, when a city can't afford to maintain its roads and its comptroller is running an equine empire. Part of this is what Pope calls bystander effect, a tendency to discount red flags precisely because they're so obvious. But another factor is the dilemma would-be informants face between speaking up and remaining loyal. When Pope explained to her class that one fraud was exposed by a fellow staffer, many of her students—trainee forensic accountants, no less—expressed disdain for the whistleblower, calling her actions a betrayal of friendship.

Pope argues opportunity can be severely reduced. Organizations can celebrate whistleblowers, maintain ethics hotlines, and push their entire workplace culture into a place where challenges are casual, frequent and, above all, normal. Pope's aim is to make the second part of the familiar proverb referenced in her carefully chosen title more dominant than the first half: fool me twice, shame on me. ◆

SPORTS

# CHARTING A NEW COURSE

Cool new brands are diversifying golf's famously staid style

**BY SARAH MACDONALD**

For too long, a golfer conjured up an image of an older man wearing a polo, neatly pressed khakis, clean golf shoes, and perhaps a flat cap. He did business deals on the green and relaxed in the sauna at the club to celebrate. Golf and its players, by extension, were seen as elite. Or said another way: white.

But that image is changing.

Professional basketball players love golf. LeBron James plays it, even if his swing isn't great; Steph Curry could go pro; and, of course, Michael Jordan has his own invite-only golf club. These icons, among others, represent an important bridge between the sports.

Basketball isn't the only place to see a crossover: Drake collaborated with Nike for his NOCTA brand to create NOCTA Golf. Rapper Tyler, the Creator has GOLF WANG—streetwear apparel that's not exactly for golf or golfers, but borrows from past aesthetics with added graphic flourishes that Gen Z golfers might gravitate toward. Even rapper Travis Scott's Cactus Jack brand has a forthcoming golf shoe.

Golfers today have tattoos and wear shoes that sneakerheads would do anything to get their hands on—and this stylistic revolution is attracting a whole new generation of players.

According to the National Golf Foundation, there were over three million first-time golfers in 2022, beating out the previous record of over two million new golfers in 2000 around Tiger Woods' peak fame. We can attribute this in large part to the pandemic, where, restricted to the outdoors, golfers new and old came out in droves. But the fashion, dubbed "golfcore," also helped in introducing new players to the sport as well as showing them that they also belong.

That's why golfcore isn't a trend destined to fade away. Scores of alternative, streetwear-savvy brands have popped up before and after the pandemic, with many founded by Black entrepreneurs focused on seeing themselves more authentically in the sport. Other brands centre around the diversity and community of the sport.

One company founded by Black entrepreneurs that's emblematic of golf's streetwear future is Eastside Golf. The brand's co-founder Earl A. Cooper, a PGA Teaching Professional, once told InsideHook in 2021 that Eastside Golf doesn't "want to be around a lot of [traditional] golfers… We want to be around a lot of non-golfers and then evangelize, and tell them how cool golf is and then bring them into the game."

Which they did, and they upped the ante by collaborating with Nike's Jordan Brand, a sought-after line that's a status symbol among sneakerheads.

In a statement from Jordan Brand, a company representative said of that partnership that, "[them] coming together around the game of golf is a powerful statement about the future of the sport and the expanding influence of basketball culture. Eastside Golf has been part of a movement that creates space for a new cultural edge within the game of golf, and their authentic experiences inspire the community to break down barriers, aspire for excellence, and create a future where we all belong."

Other up-and-coming golf apparel brands include Malbon, which has an easy, breezy aesthetic to its clothing, and Random Golf Club, which

The Nike & Eastside Golf collab shows off the innovative golfcore style

The Air Jordan 1 Low Eastside Golf shoe

positions itself as a come-as-you-are place to form a community around golf.

It makes good business sense for such big brands to embrace and collaborate with smaller businesses if they want a line straight to where golf apparel and culture is headed.

"They offer creativity and a perspective that is tough to find in bigger, global corporations," says Harry Champion, product manager at New Balance. "Nike, Adidas, and Puma offer wider distribution than these newer brands could ever achieve on their own. So [these name brands] get to draft off the momentum, creativity, and 'cool factor' of [some] up-and-coming brands, while these newer companies are introduced to a much larger customer base than they would get without the larger partner."

Champion worked at Bonobos prior to New Balance, heading up the golf apparel department—and was once a proud golf caddy in his teens. He cites this shift in the sport and its apparel occurring in the mid-to-late 2010s, first with Nike's Air Max 90 Golf shoe. But, he says, "there have always been streetwear elements to golf apparel, like John Daly's infamous pants or Tiger's signature red polo. The fashion-forward golfer has long existed in Japan, Korea and even the U.S. and U.K. It just took the industry a while to catch up and attempt to capitalize."

Golf's adoption by a wider audience is still a struggle. Fewer than one per cent of PGA of America members are Black. Yet, these brands, and even unofficial ambassadors of the sport like

PHOTOGRAPH COURTESY OF **NIKE**

basketball players or musicians, give a boost, and a signal that investing in where your customers are is important.

"The bigger brands will have created an energy for their golf line, driven sales back to their core line, while the up-and-coming brands have much stronger brand awareness than before the partnership," says Champion. "In turn, those brands have many new customers supporting their mission and buying their clothes. Everyone comes out better than before." ◆


Janine Rogan at a recent TED talk

PROFILE

# HOW TO BE A FINANCIAL FEMINIST

CPA Janine Rogan is on a mission to empower women to take control of their personal finances

**BY LORA GRADY**

When Janine Rogan was a student working toward her CPA certification, she had to train a man for the exact same role she had, which is how she discovered his salary was $13,000 higher than her own—a whopping 23 per cent difference.

"I felt like I had the wind knocked out of me," she says. "I knew the gender wage gap existed but this was personal now."

That experience is part of what led her to become what she calls a "financial feminist," a term she coined that means someone who believes in financial equality for all.

After graduating from the University of Alberta in 2014 and experiencing the gender wage gap firsthand, Edmonton-born Rogan made it her mission to empower women to take control of their finances.

"Our society, which was built by men for men, has a lot of bias against women," Rogan says.

Over the next few years, she gathered research and data on the impact the gender wage gap has on women's bank accounts.

**"I TYPICALLY SAW MEN TELLING WOMEN 'THE REASON THAT YOU'RE NOT WEALTHY IS BECAUSE YOU BUY LATTES EVERY DAY.' AND WE KNOW THAT'S NOT TRUE."**

"When I was looking at the personal finance industry, I typically saw white men telling women, 'the reason that you're not wealthy is because you buy lattes every day.' And we know that's not true," she says. "That's when I really started to dig into the macro-economic impact that the world and our financial systems have on women's bank accounts."

What Rogan discovered motivated her to write her debut book, *The Pink Tax: Dismantling a Financial System Designed to Keep Women Broke*, which came out in May. While the pink tax typically refers to the price discrepancy between men's and women's products (for example, women's razors cost more than men's), Rogan's book delves even further into society's economic impacts on women, from getting a car at a dealership and being quoted higher prices to being paid less and how that impacts earning potential. It's a domino effect; when women have less money to start with, plus the pink tax, they have less disposable income, which means less money to save, invest and build wealth.


Janine Rogan with her son, Theodore, and husband, Andrew

Rogan's goal is to empower women to take charge of their finances in spite of societal pressures. "Society tells women not to be involved in their money—that it's a taboo subject, or rude," she says. Being a financial feminist means being empowered to make financial decisions. "You need to be involved with your money, and ultimately, accumulate wealth so that you can make positive change in the world," she says.

While her passion is all about empowering women, Rogan says there's a role for everyone to play in making our world more equitable.

PHOTOGRAPH COURTESY OF JANINE ROGAN

"Men can participate in making s ure that women have equal seats at the table and are being involved in financial decisions, and that women are being paid fairly," she says. "Companies need to step up as well when it comes to supporting women building their wealth through actions such as pay transparency and having childcare on site. On a global scale, it's important to consider the policies we vote for.

"If we're going to continue to grow and make money as a country, we should get to a point where we're actually positively impacting the human beings that live in our society," she adds. "What is the point of continuing to earn and grow as a country if we're not helping those who are struggling to find affordable, accessible childcare?"

If you want to start taking control of your personal finances to ultimately build wealth, Rogan recommends reading books and articles, and talking to friends and family about money. As awkward as it can feel, having honest financial conversations gives women confidence to try things, she says. There are also a lot of online resources where people can learn about financial topics like investing. Rogan herself teaches a course on how to invest, and points out that there are also lots of great content creators on social media who can teach you how to get more involved in your money. Rogan's website even offers a free downloadable checklist of 30 things that you can do. If you're feeling overwhelmed, remember that you don't need to do everything at once. Rogan suggests picking just one thing from her list that you can do each month, such as opening a high-interest savings account (a great first step, she says). Once you start to make some progress, you'll start to gain momentum and maybe you can do two things in a month.

"By the end of the year, you'll have done a lot for your personal financial situation and hopefully you'll be on the way to building wealth for your future," she says. ◆

PHOTOGRAPH BY ISTOCK

BUZZWORD

# CARBON NEUTRALITY

Once an ambitious goal, it's now the standard

BY ALEX CORREA

Carbon neutrality refers to the balance between greenhouse gas emissions and removals from the atmosphere. For a business, this means removing more carbon from the atmosphere than it is emitting, resulting in the now-familiar net zero concept. This balance can be achieved through different methods like reducing emissions, using renewable energy sources or carbon offsetting programs like reforestation initiatives.

First introduced in the late 1990s as part of efforts to mitigate what was then called "global warming," carbon neutrality became a corporate imperative after the release of the 2006 documentary *An Inconvenient Truth*.

It's been having a moment ever since. Carbon neutrality is now viewed as a baseline objective for responsible companies, and businesses that fail to take action to reduce their carbon emissions open themselves to vocal criticism from both consumers and investors. Aside from burnishing their reputation, businesses that embrace carbon neutrality can actually find themselves with reduced operating costs.

In some cases, however, carbon neutrality can be expensive and challenging to achieve, and carbon offsetting projects may not always be effective or sustainable because they can fail to address the root causes of a company's carbon emissions.

And, as governments and regulatory bodies implement stricter environmental regulations and carbon pricing mechanisms, companies will proactively pursue carbon neutrality to reduce financial penalties and ensure compliance with evolving sustainability standards. Canada, however, appears to be lagging behind when it comes to such standards. A report by Principles for Responsible Investment ranked the country as a "low-regulation jurisdiction" by international standards, citing a lack of action by policy makers to encourage responsible environmental practices.

Despite the prevalence of carbon neutrality within the corporate lexicon, it's still just one part of a broader strategy to reduce greenhouse gas emissions. It's one of many sustainability practices that businesses need to keep front of mind because their consumers and stakeholders surely will. ◆

DESIGN

# KNOCK ON WOOD

Can Vancouver become a world leader in timber high-rises?

**BY SARAH LAING**

A few years ago, Vancouver's city council had a conundrum.

The city was growing rapidly, and in response, they'd come up with "the Broadway Plan," an ambitious 30-year development initiative that would bring jobs, amenities and housing to a stretch of the city around the new Broadway subway extension slated to open in 2026. This plan included hundreds of new high-rise buildings. There was just one problem. When built the conventional way—that is, using steel and concrete, both energy-intensive materials to produce—they'd be at direct odds with another key initiative for the would-be "world's greenest city": Reduce carbon emissions by 50 per cent by 2030.

The outcry was instant.

After all, 37 per cent of global energy-and-process-related greenhouse emissions can be traced back to the construction sector—and according to the UN, the industry's CO2 emissions and energy consumption hit an all-time high in 2021. Even with advances in energy efficiency, that translated to a record 10 gigatons in CO2-equivalent emissions.

In its final form, the Broadway Plan now includes a stipulation that the developers of these proposed high-rises should "explore innovative low-carbon building technologies, such as mass-timber construction," according to Vancouver's manager of green buildings, speaking to the *Vancouver Sun* shortly after the plan was approved last summer.

Which brings us to a resolution passed by the Vancouver city council in May 2020, which amended the bylaws to allow "mass timber" buildings of up to 12 storeys, double the previous height limit of six storeys. In doing this, Vancouver may have paved its way to becoming a world leader in what many see as the future of sustainable tall (or tall-ish) construction: Wooden high-rises.

These "mass timber" buildings—where the primary load-bearing structure is made out of wood—are popping up all over the progressive architectural landscape, from the Netherlands and Norway to Sweden and Australia. Last year, a 25-storey luxury apartment building in Wisconsin was certified as the world's tallest timber building (although there are proposals, including a 31-storey tower in Toronto, that could surpass it).

British Columbia, in fact, already has two mass timber high-rises: Tallwood 1, a 12-storey mixed-use building in Langford on Vancouver Island, and Brock Commons, an 18-storey student residence at the University of British Columbia that was, briefly, the world's tallest mass timber structure.

"We're in the renaissance of mass timber building construction," says Minghao Li, an associate professor in the department of Wood Science in the UBC Faculty of Forestry, who points out that the idea of building tall structures using wood isn't exactly new: Over a thousand years ago in China, they were building 67-metre-tall wooden pagodas, after all.

"But with modern technology, we are able to efficiently use wood as a construction material, and we can build taller structures, like Brock Commons," he says, noting that advances in production techniques have lowered the cost of mass timber products over the past 10 or 20 years, making it a more competitive alternative to traditional building materials.

Like many wooden building proponents, Li emphasizes the sustainability factor of the material (which some estimates suggest has 45 per cent of the carbon emissions of concrete and steel) could lead to less waste than other materials because it often requires custom-made components for each structure.

"When it comes to how we're really going to reduce carbon emissions in the building sector, wood outperforms steel or concrete," says Li. "Particularly in Canada, we have sustainably managed forests where, each year, we're actually using only a very small portion of the existing forest land to produce building products out of wood." (According to the province, the equivalent amount of wood used to build Tallwood 1 "regrew" in BC forests in about 43 minutes.)

Li acknowledges there may be perception hurdles when it comes to wooden buildings. Fire safety is a major one, despite the fact that many Canadians live in wooden houses. He is quick to allay those fears, pointing out that regardless of the material, all buildings have to meet the same fire code requirements. And while wood is combustible, he points out that non-combustible gypsum board can be attached to it in order to protect it from burning. As well, sprinkler systems can be installed to suppress fire so that a wooden building can be as safe as one built out of any other material.

Also, "steel performs even worse than wood in fire situations," Li adds.

Vancouver's push to be a leader in wooden high-rises may be aided by the fact that British Columbia is a leader in mass timber manufacturing, producing a quarter of the "leading types" of mass timber in North America, according to the provincial government.

In 2021, BC launched its "Mass Timber Demonstration Program," an initiative that, among other things, provided over $5.4 million in funding for 12 mass timber buildings. The goal of this action plan is to "shift mass timber construction from niche to mainstream," says Jagrup Brar, the province's minister of state and a strong advocate for its office of mass timber implementation, which he says is a world first.

For Brar, there are two "historic" issues facing the province: climate change and the housing shortage. Mass timber, he believes, responds to both of these.

Brock Commons, an 18-storey UBC student residence, today and below, during construction

"Mass timber can help us build the affordable homes that people need across the province," Brar says. "It can help us build housing relatively quickly—and those are low-carbon buildings."

If mass timber's mass adoption has any headwinds, it may simply be because the technology is so new. UBC's Li flagged the fact that until more architects and engineers become familiar with building with wood, you just won't get the same volume of buildings that call for its use as those that use more traditional materials. On the design, production and assembly side, there's a similar skill gap, one that B.C. is specifically working to remedy by providing funding for training.

Those speed bumps aside, however, it seems inevitable that Vancouver's skyline will be dotted with many more wooden high-rises, particularly given the technology's suitability for construction in a dense urban streetscape.

"When you build a mass timber building, much of the construction is done inside a factory, so you just assemble the building at the site, says Brar. "That reduces a lot of noise in the community and truck traffic. Mass timber is the future of sustainable construction in Canada." ◆

***PIVOT* RECOMMENDS**

## Off the clock

**BY CHRIS POWELL**

**Watch**

The third season of stylish French mystery thriller ***Lupin***, debuts Oct. 3 on Netflix. Based on an early 1900s book series written by Maurice Leblanc, it follows a "gentleman thief" and master of disguise named Assane Diop. Opt for subtitles if you prefer it over lip-synching, but you won't notice once you become engrossed in the fast-paced story and top-notch action sequences that can make it feel like a Parisian ***Ocean's Eleven***.

**Read**

Popular culture is fond of portraying middle managers as those who've somehow failed to excel—stuck in some kind of corporate limbo. But in ***Power to the Middle: Why Managers Hold the Keys to the Future of Work***, McKinsey's Bill Schaninger, Bryan Hancock, and Emily Field argue that middle managers are actually uniquely positioned within the corporate hierarchy—close to the ground, but also connected to corporate strategy and able to guide their company through rapid and complex change.

**Listen**

The aptly titled ***Bandsplain***, in which Spotify host Yasi Salek partners with experts and ardent fans to go deep into a music band, aims at those who enjoy hyper-specific information. That could mean a nearly five-hour discussion about proto power pop act ***Big Star*** with *Rolling Stone* writer Rob Sheffield, or a nearly six-hour discussion (mercifully divided into two parts) about ***Radiohead*** with Spotify's senior podcast producer Cole Cuchna.

PHOTOGRAPHS: BROCK COMMONS **ACTON OSTRY ACHITECTS**; LUPIN COURTESY OF **NETFLIX**

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# GOOD INFLUENCE

Even with over 150,000 followers on TikTok and YouTube (Kitchen TikToking), Louise Tailleur never predicted she'd move from being a retired CPA to becoming an online influencer. Despite the massive shift in ventures, she still finds the time as a substitute teacher to empower young students with improved financial literacy. **BY ALEX CORREA**

I worked in banking and then the public sector before becoming a stay-at-home mom for eight years. That's when I decided to obtain my Bachelor of Education at University of Ottawa with a plan to retire early and start a new career as a teacher. **For the past few years, I've been teaching business and accounting to students grades seven to 12.**

Years ago, while teaching grade eight students how to produce commercials, they introduced me to TikTok. **They told me that an older person (like me) didn't usually become an influencer, which stuck with me until the pandemic happened.** That's when I started using my marketing knowledge and artistic licence to start making TikTok videos.

**Surprisingly, the leadership program of the CPA designation helped me tremendously as an influencer.** It gave me the confidence to discuss financial topics (fees, licensing, etc.) with brands, and also negotiate and understand contract proposals. It also trained me to communicate clearly and authentically with both brand reps and my audience.

When I first set out to make videos, I wanted to focus on unique and exotic foods and kitchen gadgets while also being educational. **Within eight months, TikTok approached me to be part of their marketplace, TikTok North America.** Agencies have reached out to me and I've also had opportunities in affiliate marketing.

**For the past five years I've been able to provide bursaries to some of my high school students who are going to study accounting in college or university—but this year I was able to expand it to students going into other fields**. The money comes from the profits that I make with TikTok.

**I did consider teaching basic accounting online, but it would have been on another platform than TikTok, perhaps YouTube.** But looking back after over three years, I'm happy with my choice.

**I'm disappointed that the school curriculum doesn't have more mandatory courses to help with financial literacy.** That's why I teach my students budgeting, debt management, savings and investments through fun projects like budgeting for their prom or with their summer job income.

PHOTOGRAPH BY RÉMI THÉRIAULT

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