

Massage Therapy Today

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Putting Knowledge into Practice

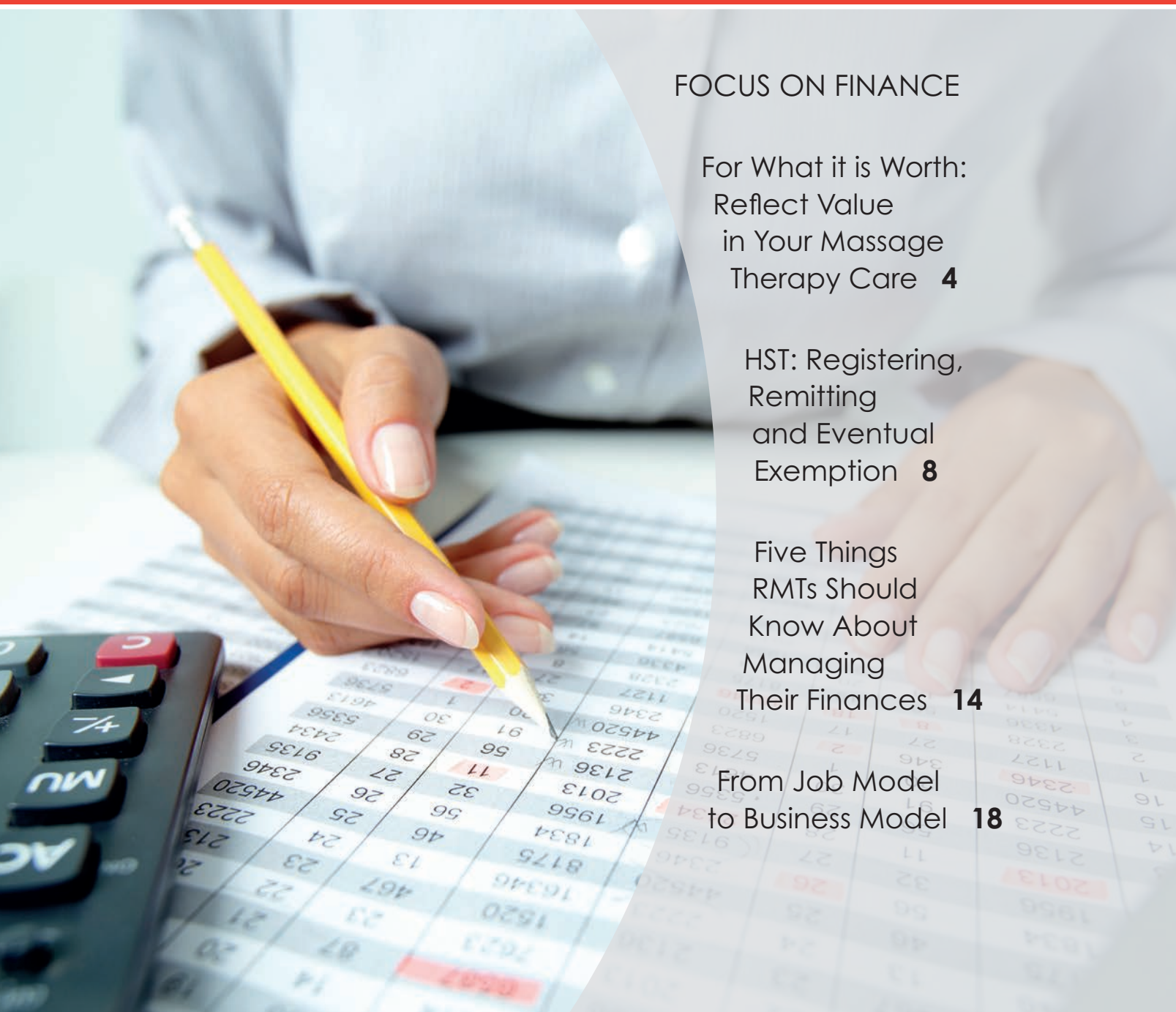
FOCUS ON FINANCE

For What it is Worth:
Reflect Value
in Your Massage
Therapy Care **4**

HST: Registering,
Remitting
and Eventual
Exemption **8**

Five Things
RMTs Should
Know About
Managing
Their Finances **14**

From Job Model
to Business Model **18**



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Message from the Editor

A Focus on Finance

Massage therapy is a profession that attracts a lot of caring individuals. Many become RMTs because they want to help others, connect on a human level and reduce their pain. They're also hoping to help people get back to the daily activities they love and enjoy.

RMTs also need to earn a living, however, and financial considerations often fall by the wayside in busy times. Some may focus on just covering basic expenses, while others feel a little overwhelmed and suddenly discover that they didn't acquire enough financial know-how in school. And, of course, there's the concept that some start out with that, as caring professionals, they're "not really in it for the money."

In this issue of *Massage Therapy Today*, our experts agree that, given the world we live in and the need to build and sustain a thriving practice, financial management is key. To that end, we revisit some of the basics and shed light on new ideas that will give you food for thought and make your "money matters" easier to handle.

Starting out, many RMTs want to take sole responsibility for their own finances. Financial literacy and credit counsellor Pamela George provides a very helpful overview of five things every RMT should know about their finances, including the importance of asking for help when you're in over your head.

One of the issues that many RMTs have found overwhelming since its inception is harmonized sales tax (HST). Now that massage therapy is regulated in a fifth province, I have created an article reviewing the process of HST exemption, when and how to become HST registered, and the importance of not "eating the tax."

What may be the most obvious part of your financial picture is the amount patients pay for your care. It's not unusual for RMTs to agonize when setting their rates—we want to be fair and reasonable to our patients, while also considering our need to make a living. Don Dillon's article provides a comprehensive guide that will help you determine the value of your treatment time.

Financial considerations can seem even more complicated when working independently or starting your own clinic. RMTs who want to strike out on their own often need guidance and wise advice—so, we have included a timely article from clinic owner Michael Desrochers. He explores the common financial problems that clinics face and offers potential solutions.

If your career doesn't allow you to make ends meet then it will become impossible to help your patients. We hope that this issue will help you to take the unnecessary stress out of your short- and long-term financial affairs. After all, in the long run, with the right combination of good management and expert advice, massage therapy should offer you the opportunity for a fruitful and rewarding career.

Laura Fixman,

Communication and Member Services Coordinator, RMTAO

For What it is Worth Reflect Value in Your Massage Therapy Care

By **Donald Quinn
Dillon, RMT**

Massage therapists will, from time to time, struggle in setting or raising their professional fees. It may be because they believe existing or prospective clients will not pay more—they are price-sensitive and begrudge the rising cost of living expenses around them. Practitioners cite declining employee health insurance and reduced discretionary dollars as reasons not to nudge up fees to a value that reflects their quality of work, or even provides them with a reasonable take-home pay.

Insurance programs such as that of the WSIB (worker's compensation) and auto insurance accident benefits have set firm compensation limits that are a third less than the RMTAO's "Recommended Fees for Appointments and Ancillary Services" (https://secure.rmtao.com/massage_therapy/your_message_dollars). Recent interactions with Green Shield Canada and other insurers have practitioners worrying about a downward pressure on billing rates.

Practitioners feel the financial pressure of retaining enough income to live. After paying business rent, supplies, insurance, payment processing fees, professional development costs, licensing fees and the like, practitioners need enough money left over to afford personal living expenses, plan for contingencies and save for retirement. Massage therapists contemplating pricing changes often feel squarely and tightly positioned between a rock and a hard place.

Because of the physical nature of massage therapy, practitioners attempting to earn more at the same rates may be met with overuse injuries. From the RMTAO 2013 Earnings



Survey: "Those who wished to not work any more hours opted out of doing so because of the physical stresses hands-on massage therapy placed on their own bodies, a lack of clients and a desire to not 'burn-out'."

Massage therapists debating a price increase may unconsciously reflect impoverished beliefs and perceptions in their decision process. Despite the aforementioned concerns, the marketplace clearly has money. Dentist and veterinary services, luxury vehicles, high-end real estate, nutritional supplements and cosmetic surgery...most often are non-essential services or products. Why, then, do we anguish?

This article addresses both pragmatic considerations with respect to pricing and beliefs that contribute to under-pricing and therefore to under-earning. It concludes with points on how to affect value perception, increasing the potential of what clients are willing to pay for massage therapy care.



Donald Quinn Dillon, RMT, is a practitioner, practice coach and speaker in the field. Read more at DonDillon-RMT.com.

Know your numbers

As a baseline, there are a few numbers you need to know: Your average monthly income from all sources, your average monthly operating expenses (e.g., rent, supplies, linen service, business taxes) and your average monthly living expenses. The last should include the costs of your personal residence, food, home repairs and supplies, children, pets, commute, debt servicing/loans and personal income taxes. Plan a contingency fund for unexpected work stoppages or home repairs, and also include savings toward retirement and any causes or charities you support—let us call this the “today, tomorrow and tithing” fund.

For a long-range perspective, tally your assets (e.g., real estate, investments, savings) and liabilities (e.g., loans, credit card debt, mortgage) to determine how long you can operate before running out of money should you have to stop working for a period of time. As *Rich Dad Poor Dad* author Robert Kiyosaki says, “Assets feed you, liabilities eat you.”

If your income does not completely cover your operating and living expenses then you have three options: (1) Increase your workload; (2) trim expenses; or (3) raise service fees. Consider all three variables for the best outcome, and be creative in reducing expenses and sharing resources. You might need to find part-time work outside the profession to supplement your income.

Try not to follow the siren song of working beyond your manageable work capacity. This results in ramping up, injury and burn-out; ramping down for recovery and feeling the financial pinch; and ramping up again, only to repeat the cycle. For ideas on increasing your professional longevity and work capacity without damaging yourself, see the *Massage Therapy Today* Summer 2018 edition for sage advice.

The theory of pricing

Let us speak now specifically to the theory of pricing. Pricing is how the practitioner “captures” the value they offer the marketplace. “Price transmits the most important

signal to the customer...what the (practitioner) believes the product/service is worth,” states Ronald J. Baker, author of *Pricing on Purpose: Creating and Capturing Value*.

Baker, a trained accountant who studied economics, confirms we have got it wrong when considering pricing theory. Pricing, he says, should be based on how much the results are valued (not time spent), and the knowledge or experience transferred (not resource inputs).

What is it worth to move without pain? To participate fully in your favourite activity, pick up your grandchildren, sleep better or suffer less anxiety? This is what massage therapists should reflect in their pricing. Thinking “I work from home so I don’t need to charge as much” or “I’m from a small town, people won’t pay those big-city prices” only defers your decision to the marketplace rather than the value you bring. Business owner and motivational speaker Jim Rohn has said: “You don’t get paid for the hour. You get paid for the value you bring to the hour.”

“People are not price sensitive, but value sensitive,” Baker says. “Value is realized when the customer voluntarily, willingly pays for your product/service.” It is the job of the business, Baker believes, to fully capture the value of its product or service in its pricing, while increasing the health, wealth and prosperity of its customers. Customers exchange dollars for utility, for value. And the mechanism by which to capture that value is pricing.

In *The Invisible Touch*, Harry Beckwith echoes the idea of charging for value received, saying: “Charge by your worth (value), not by the hour.” Beckwith says that higher prices tempt a trial. “Price changes perceptions...we may appreciate a low price; it may represent all we can afford. But while we may welcome the savings and recognize the service’s ‘good value’, we do not appreciate its quality; we assume we could do better. If and when we can afford (to purchase the product/service we want), we do.” He continues: “The higher your price, the higher your perceived quality.”

“Massage therapists debating a price increase may unconsciously reflect impoverished beliefs and perceptions in their decision process.”

“With every session you provide, you are trading your vitality for dollars. Are you getting a fair exchange?”

Motives and beliefs

You might ask, “What if the practitioners in my town haven’t raised their prices in years and I want to move up? What do I do?”

Focus on what will distinguish you to your clients. If you are an entry-level practitioner then you may benefit from pricing at the lower end of the market until you have developed more knowledge and experience, and can be distinguished from the average. Whatever objection to raising your fees you might have, I encourage you to go deeper into your motives, perceptions and beliefs, and discern whether those arguments hold merit.

In his book *Earn What You Deserve*, Jerrold Mundis discusses the phenomenon of under-earning. Under-earners often accept work that does not pay them enough to live on, or say “no” to opportunities to make money. Mundis states that under-earners experience some or many of the following characteristics: They are usually in debt and often in financial crisis, do a lot of unpaid work, often come from troubled families, have only a vague idea of what their expenses are, perceive the gross income rather than the net and may think there is spiritual or political virtue in not having money, or believe their occupation will not allow them to make more money. Practitioners emerge better off when they examine their beliefs and biases, accurately assess the value they bring to the marketplace and capture that value in their pricing.

“But what about competitors, capped insurance coverage and down-swings in the economy?” you might say. Let us view these variables in the larger context of what the marketplace wants and deems worthwhile. There may come a day when massage therapy services are publicly funded (and fees subsequently set well below current recommendations), insurers set firm pricing across all their compensation models and the economy flounders. Different pricing strategies will then be required. But whatever influences might be impacting your business, I encourage you to be strategic, not apologetic, in pricing your services.

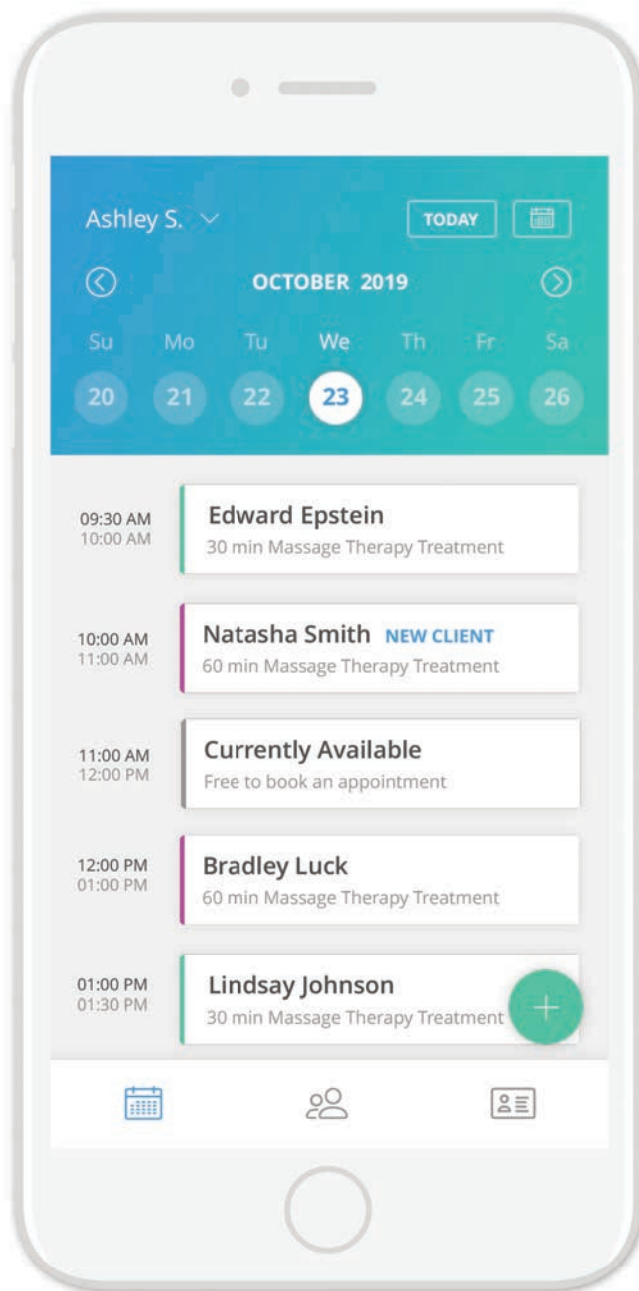
With every session you provide, you are trading your vitality for dollars. Are you getting a fair exchange? Does your pricing model provide you with the income you need to cover your business and personal expenses, costs of your personal interests and savings for contingency and retirement? What would your life be like if it did?

Increasing your value

If the key to better pricing is increasing clients’ perception of worth and quality of the experience, how can practitioners raise their perceived value in the minds of their market? Here are a few ideas.

- **Always be developing your knowledge and skills.** The more valuable clients perceive your expertise, experience and the results you produce, the stronger their bond to you will be, regardless of how much you charge.
- **Define value beyond inputs.** People are not paying you for clock time. Rather, they pay for what they value—reduced pain, improved mobility, better sleep, lessened anxiety and the capacity to enjoy recreational and social activities. Use their values to focus your outcome measures, remain cognizant of your own operating needs and design your delivery-of-care model with these values as your compass.
- **Really listen.** Put the clipboard down and sit directly in front of your clients as they share much more than their symptoms. Connect with them, acknowledge their concerns and demonstrate your caring. When the lower-priced competitor is just down the street, it is your established connection that brings them back to see you.
- **Stack on the value.** Provide self-care recommendations and take-home equipment (e.g. resistance bands), provide referrals from your established network, prompt your clients when you have not seen them for their usual appointment frequency, and educate through newsletters and digital media. Take your clients from in pain and movement-averse to mobile, self-aware and autonomous. Pricing strategically is not about resource inputs, but the knowledge you transfer, the outcomes you generate and the experience you create. ■

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HST: Registering, Remitting and Eventual Exemption

By Laura Fixman

Harmonized sales tax (HST), like the goods and services tax (GST) before it, has long been a contentious issue for RMTs. This is understandable—as one of the only health professions required to charge and remit HST, it can set you apart from your health care peers. It can also add an extra layer of complexity to your finances and, although not actually the case, it can feel like your earnings are taking a 13% hit. This article provides practical advice for therapists who charge HST, and it also explains why it is actually financially advantageous to do so. The RMTAO is still working tirelessly with our partners in the Canadian Massage Therapist Alliance (CMTA) so that massage therapy can be exempt from charging and remitting tax, and this article also describes how that will work, when we can expect it to happen and what progress we've made in the process.

When to register

You may have heard that you do not have to register to charge and remit HST until you make at least \$30,000 in a year. That can sound great, especially when you are first starting out. However, the requirement to become HST registered actually kicks in once you have made \$30,000 in any continuous 12-month period. Once registered, HST should be applied to all of your products and services (including cancellation fees). While this is customarily referred to as your “annual earnings,” HST registration does not depend on the fiscal or calendar year, so be sure to monitor your gross (before expenses) earnings each quarter.

There are several good reasons why you might want to voluntarily register for HST before you are required to, and why being HST registered is not necessarily as negative as you

might think. First, by being HST registered, you are able to write off the HST on purchases related to your business (e.g., linens, oils, association memberships) through input tax credits (ITCs). This can be financially advantageous for you. In addition, if you work under a split percentage arrangement and the clinic owner is also HST registered, it can be financially advantageous for you to also be HST registered. Finally, if other RMTs in your clinic are HST registered, it can be confusing for patients if they see some RMTs charging tax and others not.

Which form to use

There are two forms that RMTs can use when becoming remitting HST to the CRA—the “regular method” and the “quick method.”

The regular method allows you to track the amount of HST you charge to patients and the amount of HST you pay on the goods and services you need to buy in order to operate your business (ITCs). When remitting HST, the amount of tax remitted to the government is the amount of tax collected from clients minus the ITCs. This method is usually the most economical for people who purchase a large number of goods and services for their business, but is considered more complicated.

The quick method also allows you to become HST registered and charge 13% (in Ontario) HST to the client. The amount remitted to CRA, however, is 8.8%. The 8.8% is calculated on “gross billings, including HST” in the quick method. ITCs are not factored into determining the amount of HST remitted to the government, although they should still be tracked for your own personal accounting. This method is commonly used by RMTs who do not have enough ITCs to justify using the regular method.



Laura Fixman is the Communications and Member Services Coordinator for the RMTAO.



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“Whether or not a service is taxed is decided at the federal level, based on the Excise Tax Act as administered by the CRA and the Canadian Minister of Finance.”

Multiple practice environments

HST can seem a little more complicated in certain practice environments. Many RMTs work in a split percentage arrangement, meaning they get a certain percentage of the fee for a treatment while the clinic owner gets the remaining percentage. The way that HST applies in these scenarios depends on a variety of factors, including:

- whether the RMT is HST-registered
- whether the clinic owner is HST-registered
- who collects the fees (RMT or clinic owner?)

There are four different scenarios. For ease of explanation we will assume the fee for services rendered will be \$100 and the split used will be 60/40 (60% to RMT).

- 1 Both the RMT and the clinic owner are HST-registered.** In this situation, the client is charged HST and each party (RMT and clinic owner) is responsible for the HST that applies to the percentage of the treatment fees they keep. A total of \$113 would have been collected from the client, of which \$67.80 (\$60 +HST) goes to the RMT and \$45.20 (\$40 +HST) goes to the clinic. Both the clinic and the RMT will remit their portion of HST to the CRA, totaling \$13.00 to be remitted.
- 2 The clinic owner is HST-registered and the RMT is not.** The clinic owner is HST-registered and the RMT is not. If the clinic owner collects the fees, HST would be added to the fees (\$113). Since the RMT is not HST-registered, the funds the clinic owner owes to the RMT are not subject to HST. In this example, the RMT would receive \$60 and the clinic owner would keep \$53, \$13 of which would be remitted to the CRA. If the RMT collects the fees the client would not be charged HST. The clinic owner then invoices the RMT for their percentage, plus HST. Using the example of \$100, the clinic would receive their \$40 portion of the split, plus \$5.20 in HST which they remit to CRA. In this scenario, the RMT loses significant amounts of money over the course of the year.
- 3 The RMT is HST-registered, but the clinic owner is not.** If the clinic owner

collects the fees then the client is not charged HST. The clinic owner will pay the RMT their portion (\$60) plus tax (\$7.80). If the RMT collects the fees then they charge HST to the client (because they are HST-registered) and are responsible for the entire amount of tax collected (13%). They pay the clinic owner their percentage of the treatment fees collected, without HST (\$40).

- 4 Neither the RMT nor the clinic owner is HST-registered.** Regardless of who collects the fees, HST is not charged. HST does not factor into the split percentage arrangement in this scenario. The RMT would receive \$60 and the clinic owner \$40.

For examples and further details, visit the RMTAO website and download our guideline “HST and the Split Percentages.”

Tax collector vs. tax payer

Many RMTs view the HST as something they are paying and that is taking away from their income. It is more accurate, and more helpful, to view HST as something you are collecting from the client and giving to the government. HST is not your money, and the HST should not be a consideration when determining the fees you charge for your services. Many RMTs try to do what is known as “eating the tax,” which means you fold the tax into your treatment rate. For example, if an RMT determines that their treatment should be worth \$100 an hour then eating the tax would mean charging the client \$100—with the RMT taking \$88.50 and remitting \$11.50 to the government. By not “eating the tax”, the RMT would charge \$113—taking the \$100 they have determined their treatment is worth and remitting \$13 to the government. This difference can add up over the course of the year, which is why it is recommended that you do not “eat the tax.”

If you “eat the tax” then you are working just as hard for less income. You are also making clients less aware that massage therapy is a service that is taxed, and making assumptions about your clients’ ability and willingness to pay the tax.

Exemption: How it works

Whether or not a service is taxed is decided at the federal level, based on the *Excise Tax Act* as administered by the CRA and the Canadian Minister of Finance. Massage therapy is not among the list of services exempt from remitting HST.

In order to apply for HST exemption, the service must either be publicly funded in three provinces or regulated in five provinces.

As of March 1, 2019, massage therapy is regulated in five provinces—Ontario, British Columbia, Newfoundland, New Brunswick and Prince Edward Island. This does not mean that massage therapists are automatically exempt from charging and remitting HST. This simply means that, along with our colleagues at the CMTA, we can now make a formal application to the Ministry of Finance for HST exemption.

Tax exemption for a distinct group of people requires an act of parliament, and has traditionally been a two- to four-year process. For example, when naturopaths became registered in a fifth province in 2012, tax exemption for that profession was included in the 2014 federal budget, which was proposed, read, voted on and passed. For massage therapists, this process will require the cooperation of all members of the CMTA. Once the formal request has been made to the Federal Minister of Finance we will have to provide specific information, including the financial impact of tax exemption on the

federal government and proof that the majority of RMTs are united behind this request.

Where are we now?

The RMTAO, with our partners in the CMTA, has engaged the services of a top government relations firm to lobby the Canadian federal government to remove the requirement for RMTs to charge and remit tax. We have launched the beginnings of a wide-reaching, focused campaign on RMTACT.ca to raise awareness and support for tax exemption for massage therapists in Canada. This will include spreading information about the benefits of massage therapy, and will require the participation of RMTs across Canada in a wide range of advocacy initiatives. In order to move successfully toward our goal of becoming tax exempt, we ask that all RMTs in Canada register for updates on RMTACT.ca and keep an eye out for new opportunities to contribute.

The participation and support of our members, increased awareness of the burden that taxation on massage therapy services presents to patients, and strengthened relationships with members of parliament will allow us to move confidently toward tax exemption for the massage therapy profession. ■

This is only a brief overview of how HST can affect your practice. For more information, check out the HST Guideline for Ontario RMTs on the RMTAO website.

“The RMTAO, has engaged the services of a top government relations firm to lobby the Canadian federal government to remove the requirement for RMTs to charge and remit tax.”

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Five Things RMTs Should Know About Managing Their Finances

By Pamela George,
BA, AFCC



Pamela George, BA, AFCC is a Financial Literacy and Credit Counsellor who believes that her life's work is to empower her clients to take ownership of their finances. Prior to starting her own business, Pamela worked as a Credit Counsellor for a credit counselling agency and as a Financial Aid Officer with a post-secondary institution. Pamela is an Accredited Financial Counsellor of Canada (AFCC) and a member of the Association of Financial Counselling, Planning and Education (AFCPE).

I have been counselling RMTs about their finances for the past five years and, during that time, I have noticed a common thread—many RMTs struggle with their finances and suffer from financial stress. They focus on providing great care to their patients, but sometimes allow their own financial health to fall to the wayside. With this in mind, I have put together this list of the five things all RMTs should know to ensure financial success.

1 The popular saying “pay yourself first” does not apply to most RMTs

A more sensible and practical approach for RMTs is to pay the Canada Revenue Agency (CRA) first.

Most RMTs who sign up for my one-on-one counselling program owe thousands of dollars to the CRA (or have the equivalent in regular loans that they have used to pay off their tax debts). They owe this money because they did not pay the CRA first!

As an RMT, you can owe the CRA harmonized sales tax (HST) collected on the agency's behalf and/or taxes on your earnings. When you charge HST, that money should not be considered part of your income. You are collecting that money on behalf of the government. It is not your money and should never be treated as such. Failure to pay the CRA the money you have collected on its behalf is likely to result in a Failure to Remit penalty. This means that interest will be



added to what you already owe the CRA.

I suggest that on a regular basis (weekly, every other week or monthly) you transfer the HST you have collected into an account specifically created for the purpose of holding that money until it is time to send it to the CRA.

In addition, if you are a sole proprietor or contractor then you will also be required to pay taxes and Canada Pension Plan (CPP) contributions on your earnings. When you are an employee, your employer does this for you—but as a sole proprietor, you need to put aside this money every week or month, again into a separate bank account, and just let it sit there until it is time for you to pay the government what is required.

It is important to note that if you owe the CRA money, the agency can garnish your salary without any prior notice. If you are

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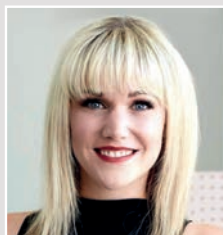
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“For those of you who are sole proprietors, it is even more important for you to have separate accounts: A personal chequing account and a business chequing account.”



an employee then it can garnish up to 50% of your salary. If you are self-employed or a contractor then it can garnish the full 100% of your income. The CRA can also freeze your bank accounts and place a lien on your property. So, pay the CRA first!

2

Have separate personal and business accounts

If you are incorporated then you should already have a bank account in your company's name. Just make sure that you are not mixing up personal and business transactions. If you are borrowing from one account to subsidize the other, make sure to keep good records.

For those of you who are sole proprietors, it is even more important for you to have separate accounts: A personal chequing account and a business chequing account. Technically, your business account in this instance is not a true business account, since you are not incorporated. It is actually another personal chequing account that you use solely for your business.

There are two main reasons why you should separate your bank accounts.

1) It is good business practice and will allow you to know your business numbers and therefore see whether your business is bringing in a profit.

2) Because of something called the Right of Offset, not only should you have separate accounts, but these accounts should be with different banks.

Right of Offset means that a financial institution can take money you have on deposit with it or with one of its affiliates to pay off any outstanding debt you owe it. It may do so without first letting you know, getting your permission or leaving money in your account if the amount you owe is greater or equal to the amount of money in your account.

If your bank does not leave enough money in your account to cover upcoming cheques or pre-authorized debits then it can then charge you a non-sufficient funds fee, which can lead to your debt quickly growing.

It is therefore advisable to have your personal and business accounts at different financial institutions in order to avoid the consequences of the Right of Offset.

3

Register for HST, even if you do not have to

It is mandatory that you register for HST once your sales reach \$30,000 in a calendar year or any part thereof. Once you hit that \$30,000 threshold, you must start charging HST and you must also register for HST within 29 days.

Luckily, you can voluntarily register for HST. This will:

- reduce the stress and constant paperwork to figure out whether your sales have hit the threshold (remember, you only have 29 days from that day to register)
- allow you to claim back the HST that you pay on expenses for your business (Input Tax Credit)

As an example: If you collected \$3,000 in HST in 2018 and spent \$1,200 on HST for business expenses, you only need to send \$1,700 to the CRA (this of course, is a very simplified example).

4

Make use of the CRA's registration options

You can make use of the available tools on the CRA website to make it easier to manage your taxes.

My Account

The CRA "My Account" allows you to manage your income tax, including CPP (and employment insurance, if applicable). It gives you access to and allows you to manage your income tax online. Here are some of the things you can do through your CRA "My Account":

- View your returns and investments.
- See your statements of accounts and account balance.
- Update your information, such as your address and bank details.
- Pay the CRA.
- Make online payments.
- Check your Registered Retirement Savings Plan and Tax-Free Savings Account contribution limits.

My Business Account

"My Business Account" is for business owners who file HST, have payroll duties or file corporate taxes. Therefore, if you follow my advice

above about registering for HST then you should have a "My Business Account." You can use this account for:

- viewing and updating information, such as bank details
- filing and adjusting your HST return
- making online payments
- submitting enquiries
- submitting documents

5

Do not DIY your finances

As an RMT, you are a subject matter expert when it comes to massage therapy. People pay you to help them relieve stress and pain, or to be part of their wellness regimen. And you know the value of hiring a registered therapist, as opposed to your patient trying to DIY a massage or asking a loved one to do


the job. You also know this has the potential to cause more harm than good.

Hiring you is an investment in your patients' well-being.

The same thinking can be applied to your finances. Unless you are confident and educated about what you are doing, "DIYing" your finances can cause more harm than good.

The other thing that has the potential to cause more harm than good is taking financial advice from someone who is not qualified to give it, or someone who is motivated by a sales commission.

When it comes to your finances, educate yourself so you can confidently manage your money or hire a professional to do it for you—but do not leave it to chance and, most definitely, do not leave it in the hands of someone without the proper qualifications.

I believe massage therapy is a noble profession that offers relief and healing on so many levels. My hope is that these five points will offer you relief from any potential financial stress, allowing you to fully focus your gifts on your clients and on building a successful practice. 



“When it comes to your finances, educate yourself so you can confidently manage your money or hire a professional to do it for you.”

From Job Model to Business Model

Creating a Clinic That Works For You

By Michael Desrochers, RMT



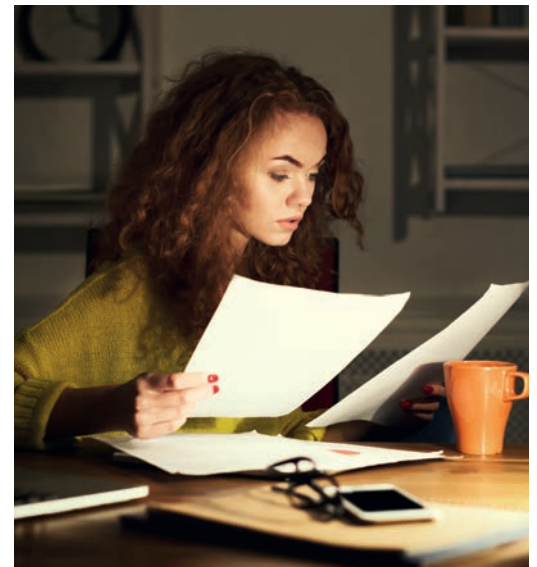
Michael Desrochers, RMT is the CEO/ Founder of painPRO Therapeutics Inc an integrated collaborative care company based in Vancouver BC. He is an active member of the Entrepreneur Organization Vancouver Chapter and Entrepreneur Organization Accelerator program. He is an Allied Health Board member for Health Choices First a Canadian online video based platform for evidence informed approaches to common medical conditions. Michael gives back by mentoring struggling health clinic owners and young entrepreneurs.

Thinking back to my early years of clinic ownership, it felt more like a job and less like a business. Let me explain. A business is defined as an independent, self-sustaining entity where income is earned through profits. At the time, profits seemed like a myth. It became apparent that I was not alone—most clinic owners were struggling to keep their doors open. My exploration for viable ways to generate profit led me to realize that there had to be something missing in our approach. Then it hit me. It was all about “value.”

The a-ha moment came when I realized that the real financial power in a clinic was the “value” people attached to their experience. Although pricing, therapist compensation, clinic size, equipment type, software, wall colour and myriad other issues are all very important considerations, they quickly become numbers without meaning.

Increasing value is critical in a maturing industry such as health care. Competitors are getting larger and offering more services. They have bigger marketing budgets, more money and multiple locations, and are increasingly owned and operated by non-RMTs. This article provides insights for RMTs who would like to one day open their own clinic and successfully compete in today’s market.

Value tends to increase as problems that stand in the way of satisfying the needs of therapists and patients are solved. The more obstacles removed, the more value created.



Let’s look at some common obstacles that, when solved, can add value to your clinic.

Patient obstacles

- **Lack of money.** Many people live paycheck to paycheck and may see massage therapy as an indulgence, not a necessity.
Solutions: Offer insurance direct billing, merchant services, treatment financing, barter networks or shorter treatment options.
- **Treatment access.** Patients will go elsewhere if there are too many roadblocks to easy treatment access.
Solutions: Help patients feel in control of the process by offering online booking,


same-day appointments, extended clinic hours, added therapists and a reception or answering service. Ensure ample parking or be close to public transit.

- **First impressions.** No one likes a bad experience. First impressions are critical and start from the initial contact. **Solutions:** Create an informative, modern website, answer the phone before the third ring, return calls promptly, have a professional and upbeat phone manner (smile when you talk), employ knowledgeable staff, maintain a clean and uncluttered clinic with a professional look and feel (for clinic and staff), start appointments on time and create a positive clinic culture.

- **Feeling nickel-and-dimed.** Many of us have been somewhere that charges extra for everything. This business approach may add to the bottom line in the short term, but has disastrous long-term consequences **Solutions:** Offer an all-inclusive pricing program that provides inexpensive giveaways such as topical pain-ointment samples, exercise bands, water and snacks. Start a loyalty program and referral program. The average cost to my clinic for these freebies is \$0.70 per treatment. Remember: Not everyone needs, or takes advantage of, these giveaways.

- **Limited choice.** Some patients want to work with a collaborative health care team so that they do not have to run between clinics. **Solutions:** Bring in other health care professionals who align with your vision. If you have a rehabilitation focus, look to therapies such as physiotherapy or chiropractic. A health/wellness approach may necessitate a different mix of therapies, such as naturopathy, counselling or acupuncture.


- **Perceived poor treatment quality.** Although subjective in nature, much of a patient's perception surrounding treatment quality is influenced by their experience prior to getting into the treatment room.




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“If you are looking to grow your clinic then it is imperative that you provide your therapists with a constant supply of new patients.”

Solutions: Solve the problems above and the perception of quality may improve. Offer mentorship to newer therapists to help improve their skills (both therapeutic and communication), provide monthly training courses for your team or explore annual limits for education reimbursement.

Therapist obstacles

- **Not busy.** This generally tops the list, since it directly correlates to being in poverty or abundance.

Solutions: Be the rainmaker by offering full online/offline marketing support. If you are looking to grow your clinic then it is imperative that you provide your therapists with a constant supply of new patients. You need to invest in this area of your business. Here are a few things you can do: Provide a state-of-the-art, search-optimized website; use Google AdWords; engage in social media campaigns; write a monthly newsletter; special events support; team sponsorships; patient referral program; and engage in external relationship building with medical clinics and local businesses. Know your market and cater to it.

- **Excessive split/rent.** This generally becomes more of an issue when a therapist has a busy practice and the focus changes from how much is made to how much is kept. This is a valid concern.

Solutions: Understand the correlation between the split/rent and the services provided by the clinic. It has to be a win-win for both parties. We use a sliding-scale split designed to cover the cost of clinic services and share the excess with therapists based on how they like to practice.

- **Limited support.** Many therapists feel they have minimal practice support.

Solutions: Provide all-inclusive services, such as marketing, reception, direct billing, billing collection, linen service, access to extended health benefits, electric tables, electronic charting, online booking, mentorship and

education reimbursement.

Clinic owner obstacles

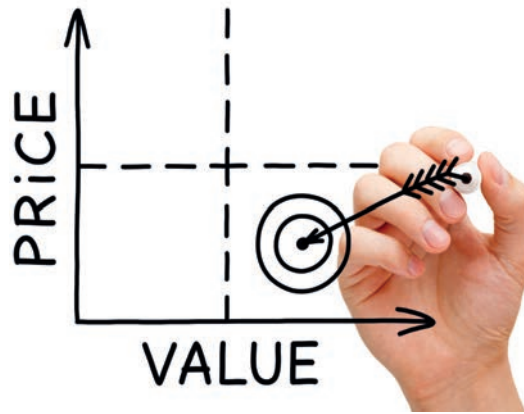
I will lay out the diverse problems that clinic owners can face, and in the next section I will go over a variety of potential solutions.

- **Working more.** Depending on clinic size, the owner can expect to put in an additional 10–40 hours each week. In most cases, clinics do not generate enough profit to compensate the owner for this extra time.
- **Feeling stuck/overwhelmed.** This is very common and stems from being financially vested in the clinic through leases or bank loans, or feeling a sense of responsibility to look out for the team.
- **More risk.** At the end of the day, a clinic owner cannot just walk away if things go sideways. Signing a lease is like a mortgage, except you do not own anything but remain responsible for the full lease amount. A five-year, \$3,000 per month lease represents a \$180,000 commitment.
- **Financial stress.** As already mentioned, most clinic owners are not fully compensated for the time required to keep the clinic running. In addition, depending on the mix of services, starting a clinic can cost anywhere from \$50 to \$150 per square foot for leasehold and equipment purchases. Now add the monthly operating costs and you have the perfect storm for financial stress.
- **Uncertainty.** The common underpinning of this feeling is: “How do I get there from here?” Reading about another clinic owner’s success provides hope, but does little to establish a concrete pathway out of your current situation.

Clinic owner solutions

- **Premium pricing.** Create premium pricing based on real, or perceived, value. When you solve patient obstacles, this translates into value and provides a path

to higher prices. Yes, there are price-sensitive patients, but they will never see value beyond price and, as such, will be the first to jump ship when something cheaper comes along. Each 1% increase in price will generally result in the same percentage loss of patients. Do not let that worry you—the price increase will financially offset patient attrition. The long-term benefit is that the remaining (and future) patients are the ones willing to pay higher rates based on value.



“Create premium pricing based on real, or perceived, value. When you solve patient obstacles, this translates into value and provides a path to higher prices.”

- **Business service pricing.** Therapists also look for value in what they pay for clinic services. This is a tricky area because split percentages can be deceiving. Let us compare two clinics. Clinic #1 provides value based on a treatment price of \$80 per hour and has a 70/30 split with RMTs. Clinic #2 has value-based premium pricing, charges \$90 per hour, and has a 65/35

therapist split. Therapists at Clinic #1 earn \$56 per hour, while those at Clinic #2 earn \$58.50. This is the ultimate win-win. Premium pricing can increase the split the clinic earns by 5%, while at the same time increasing therapist income by 4.4%.

- **Financial literacy.** Understanding the financial aspects of clinic ownership is critical to creating a clinic that works for

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“Simply changing the clinic’s treatment mix by offering shorter treatment options can improve income for both the clinic and therapist.”




you, rather than against you. An entire article could be written on this subject but there a few items that most owners do not think about.

- **Gross margin.** This is the difference between the treatment price and cost of providing the service (e.g., therapist splits/rent, oils, linen cleaning and other consumables used in treatments). This is a very important number to know. Business sustainability and health require a 35% gross margin in our industry. This is impossible if you have splits or rent below this threshold.
- **Capacity utilization.** Revenue is mostly derived from clinic rooms, so clinic capacity is the number of rooms multiplied by clinic hours and the average hourly treatment price. So, a clinic with three treatment rooms, open for 60 hours each week, with an average hourly treatment rate of \$90 can potentially generate \$842,400 in annual revenue if operating at 100% capacity. (Note, however, that no clinic runs at 100% capacity...80% is considered exceptional.) Higher capacity utilization generally results in higher profits. Clinic capacity can be increased by adding clinic hours and treatment rooms.
- **Patient retention.** Do you know the percentage of patients who are regulars and the frequency at which they return? These numbers are the lifeblood of every

clinic. In rehabilitation clinics, this number can identify strengths or weaknesses in therapist treatment planning. In wellness clinics, it can uncover high patient turnover.

- **Patient acquisition cost.** This is the cost of attracting a new patient and is calculated by dividing total marketing costs by the number of new patients. If you have strong patient retention then fewer new patients are required. The result is reduced marketing expenses and higher profits.
- **Treatment mix.** This can include offering different health care modalities or more treatment length options. Physiotherapists and chiropractors can generate up to twice the sales volume as RMTs at better gross margins, but it takes longer to get them busy. Simply changing the clinic’s treatment mix by offering shorter treatment options can improve income for both the clinic and therapist. There is little credible evidence that a 60-minute massage provides better outcomes than a 30-minute massage. If 100% of treatments are 60 minutes at a price of \$90, then the average hourly charge-out rate is \$90. Compare this to a clinic with the following treatment/price mix:

Treatment length	Price	Proportion of total treatments
30 minutes	\$50	25%
45 minutes	\$70	40%
60 minutes	\$90	35%
The average hourly rate is now \$93.83, or 4.3% higher.		

Create as much value as possible within your budget to make your clinic irreplaceable for both therapists and patients. Creating financially viable RMT-owned clinics is critical for the health and future of our profession. The common trait shared by all owners is a need to impart “value” that is tied to the experience and not the price. 

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The Contemporary Medical Acupuncture course at McMaster University was fantastic! It is an educational course that I will never forget. It forced me to open up my mind to new possibilities and has transformed the way that I approach my treatments. Dr. Elorriaga is an excellent educator and lecturer. His team of administrators and colleagues were extremely knowledgeable and imperative in the learning process.

Jessica Moore, RMT, Oshawa, ON

This course was exactly what I had been looking for – it was challenging, motivating and interactive. I was able to implement new skills and concepts learned immediately after the first unit and two years later I am still evolving and expanding my treatments combining acupuncture and massage therapy. Best of all, graduates have access to ongoing support and feedback from clinical instructors and staff, which I have found to be priceless.

Tonia Nisbet, RMT, Sarnia, ON

The McMaster Contemporary Medical Acupuncture program provides a modern medical interpretation of an age old treatment modality, helping to explain some of the mysticism associated with traditional acupuncture. The integration of acupuncture with modern neurophysiological concepts, neuroanatomy, functional assessment and evidence based protocols provided me with a wealth of practical knowledge that could be immediately integrated into my practice with astonishing results. The clarity, content and presentation of the curriculum, as well as the faculty, are second to none. Classroom lectures, practical workshops with countless supervised needle insertions and invaluable hands-on anatomy lab instruction created a well-rounded educational experience that left me feeling completely confident in my abilities. I can't say enough about your program! I will definitely be back for your advanced courses.

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