



**Freedom 55  
Financial**

A division of London Life Insurance Company

# Your Financial Security

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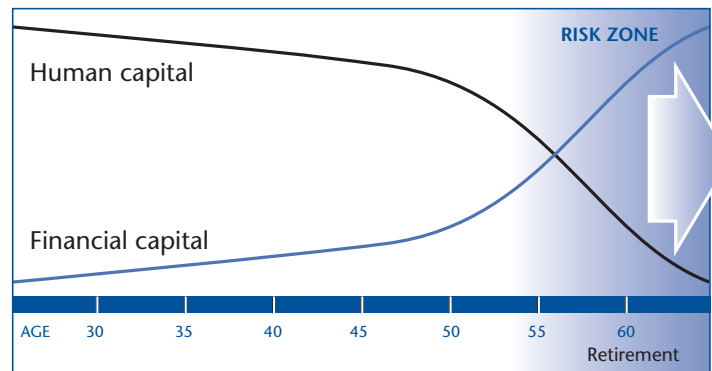
NEW IDEAS FOR YOUR STRONGER FINANCIAL FUTURE

## Managing market risks helps you stay on track with your investment goals

Understanding the dynamics of human and financial capital will help you select appropriate product solutions to mitigate the market risks every investor faces. This knowledge also will help you get the most out of your financial security plan.

### Human capital versus financial capital

When you're younger, you have lots of human capital. In other words, you still have many years ahead to work and grow your savings – or financial capital.



At this point your human capital usually is high. This means you generally can accept more financial risk because your time horizon is long – you have years to grow your wealth, and recover from market downturns. Knowing this allows you to adopt a more aggressive investment strategy.

Unfortunately, many clients at this stage of life aren't active in the investment market. Some remain nervous after the recent recession. However, sitting on the sidelines and waiting isn't an effective strategy for building financial capital. In fact, it can actually create a different risk – the risk you won't achieve your long-term financial goals.

In these cases it's important you consult your financial security advisor. He or she can explain various investment products that will help mitigate your risks and get you on the path to achieving your financial goals. Most important, your advisor can tell you if these products are right for your individual situation.

### The scales shift in later years

As you near retirement, your human capital declines. This is when market risks are more threatening because you have less time to recover from losses. And this often is when you have the most to lose . . . after growing your financial capital over the years. At this point, you'll want to ensure your portfolio is protected against market risks and is available to create a future income stream. Again, your financial security advisor can help you do this through a comprehensive, fully-integrated approach to financial security planning.



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# Help manage risks and protect capital with insurance

Some investors are so focused on growing the assets needed to fund their retirement income, that they fail to consider the financial consequences associated with unplanned events like a disability, critical illness or death.

## Did you know?

- The chances of becoming disabled for 90 days or longer at least once prior to age 65 are one in three\*
- The chances of developing heart disease over a lifetime are one in two for men and one in three for women\*\*
- The chances of developing cancer over a lifetime are one in 2.3 for men and one in 2.6 for women\*\*

These events could undermine your asset accumulation efforts and deplete your retirement savings. However, a well-built financial security plan that includes critical illness and disability insurance can help protect against the financial consequences of events such as these.

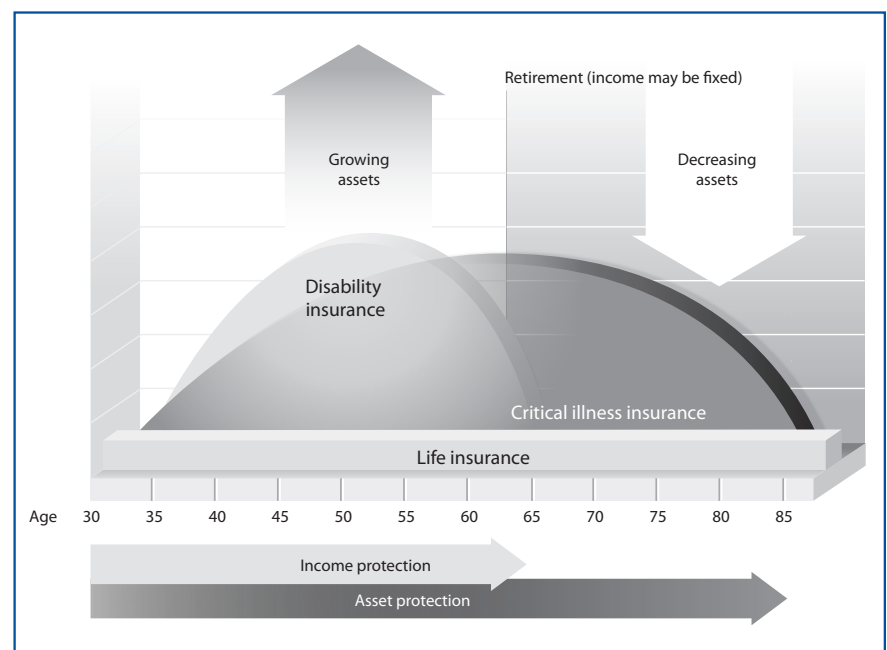
\*Sources: 1985 Commissioner's Disability Table A (Experience table) and CIA 86-92 Aggregate Mortality Table.

\*\* Heart and Stroke foundation 2006, and National Cancer Institute of Canada: Canadian Cancer Statistics 2008.

### Important at all stages of life

As the illustration shows, critical illness and disability insurance can play important roles in reducing risk throughout your lifetime.

In your early years, both disability and critical illness insurance can help sustain the earning power of your human capital as you grow your financial capital. In your retirement years, critical illness insurance can help protect that financial capital you've worked hard to build.



Human capital is your ability to earn an income and turn that income into financial capital. Critical illness and disability insurance can be effective risk management tools to protect both the earning potential of your human capital and resulting financial capital.

As you move through the various stages of life, talk to your financial security advisor about insurance product solutions that help you manage risk by protecting your human and financial capital.

# How life insurance helps manage risks during your lifetime

Life insurance's primary role is simple: to help provide your family with financial security when you die.

However, life insurance can also help you manage risks in other aspects of your life.

## Help with retirement risks

Retirement risks include not having enough income or having your savings depleted by illness or emergency. Permanent life insurance can be a tax-effective way to manage these risks.

Permanent life insurance allows you to accumulate a cash value inside the policy, within certain legislative limits, without paying income tax on the accumulation.

During retirement, you can access this cash value as a source of income or as collateral for a loan. You can use it to deal with emergencies or pay for long-term care.

## Help with disability risks

If a disability forces you to take time off from work or require long-term care, your whole financial security plan could be at risk. Many life insurance policies let you manage this risk with riders.

Disability riders can waive premiums during the disability, provide a lump sum payment or even provide an advanced death benefit in the event of a terminal illness.

## Help with estate-planning risks

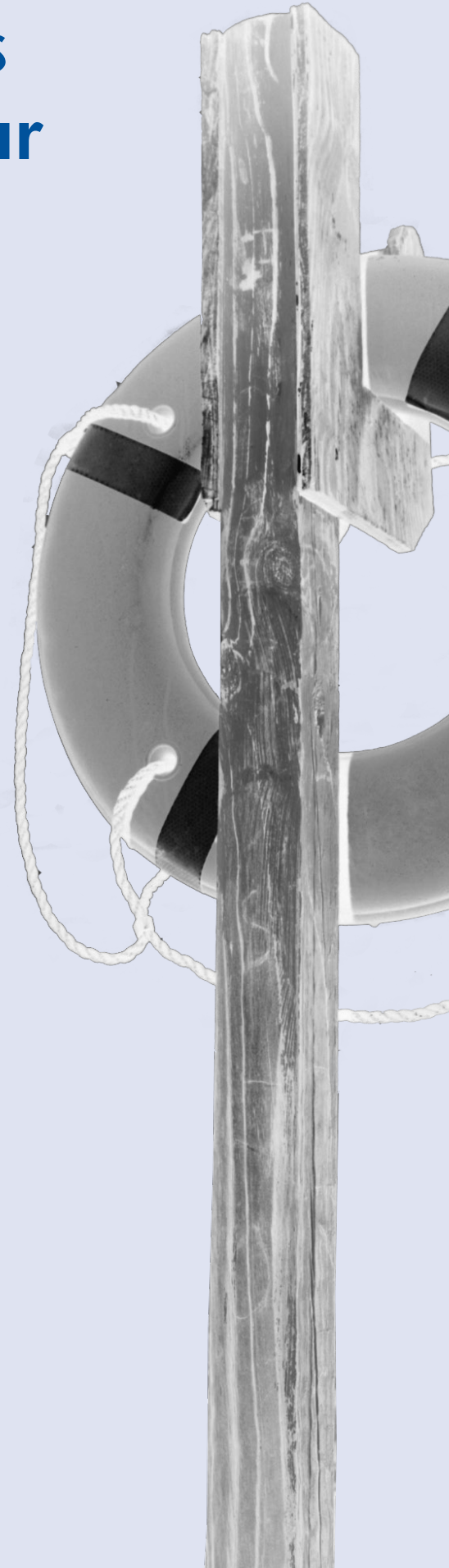
A major risk is that taxes on your estate, and other costs, can reduce the amount you leave to your loved ones and your favourite charities.

For your heirs named as beneficiaries, life insurance can provide the immediate cash they need to cover final expenses, taxes and the costs of settling your estate. This helps preserve as much of your estate as possible for your loved ones.

For your favourite charities, life insurance can allow you to provide stable long-term funding without reducing the estate available to your heirs. Carefully arranged, a planned gift can be a tax-effective planning tool, balancing your financial needs and the needs of your family.

## How are you using your life insurance to manage risks?

Your life insurance is a crucial part of your overall plan to manage risk. Your financial security advisor can help you get the most out of it, not only to protect your family after your death, but also to manage risks during your lifetime.



# Rule change decreases maximum mortgage amortization

**The federal government has tightened the rules for government-backed insured mortgages to address concerns about rising debt levels among Canadians.**

Effective March 18, the government reduced the maximum mortgage amortization period to 30 years from 35 years for new government-backed insured mortgages with loan-to-value ratios of more than 80 per cent.

With a shorter amortization, homeowners may have a slightly higher monthly payment, but they'll save thousands of dollars in interest payments over the life of the mortgage.

#### Example: \$200,000 mortgage, six per cent interest rate

| Amortization period | Monthly payment | Total of payments | Total interest paid | Interest savings* |
|---------------------|-----------------|-------------------|---------------------|-------------------|
| 35 years            | \$1,130.51      | \$474,805         | \$274,805           |                   |
| 30 years            | \$1,189.65      | \$428,271         | \$228,271           | \$46,534          |
| 25 years            | \$1,279.62      | \$383,881         | \$183,881           | \$90,924          |
| 20 years            | \$1,424.38      | \$341,850         | \$141,850           | \$132,955         |
| 15 years            | \$1,679.77      | \$302,357         | \$102,357           | \$172,448         |
| 10 years            | \$2,213.02      | \$265,562         | \$65,562            | \$209,243         |

\*Assumes constant rate for entire amortization period.

In this example, the monthly payment for a 30-year amortization only increased by \$59.14 compared to a 35-year amortization. But the homeowner would save more than \$46,000 in interest.

#### Additional federal government resources

The federal government offers two options to help Canadians become homeowners: the Home Buyers' Plan and first-time home buyers' tax credit.

The Home Buyers' Plan allows first-time home buyers to withdraw up to \$25,000 from a registered retirement savings plan (RRSP) to purchase or build a home in Canada. Unlike regular RRSP withdrawals, withdrawals from the Home Buyers' Plan aren't included in income. Amounts withdrawn must be repaid over a 15-year period, starting the second year following the year of the withdrawal, or it will be included in the individual's income.

When a married or common-law couple are purchasing a home jointly, they can withdraw up to \$50,000 from their RRSP funds to use in the Home Buyers' Plan.

The first-time home buyers' tax credit is worth up to \$750. The credit can be claimed by one person or a couple if the home is jointly owned. This tax credit is intended to help offset costs associated with the purchase of a home, such as legal fees.

More details are available at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).

If you're thinking of buying your first home, talk to your financial security advisor. He or she can refer you to a mortgage planning specialist who can help you find a mortgage that works for your individual situation.



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