



**Freedom 55**  
Financial

A division of London Life Insurance Company

# Your Financial Security

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NEW IDEAS FOR YOUR STRONGER FINANCIAL FUTURE

## Critical illness insurance for children

**Although no one wants to consider anything critical happening to their children, planning today for the unexpected may help reduce considerable financial hardship tomorrow.**

**Imagine** your child became critically ill. It could be, for example, a life-threatening cancer, Type 1 Diabetes, loss of speech, deafness or perhaps bacterial meningitis.

Where would you want to be? Would you want to take time off work to be with your child?

Would you value access to a second medical opinion on your child's diagnosis and treatment plan?

Would a lump sum of money help you focus on your child's recovery instead of financial concerns?

Would you like to establish your child's critical illness insurability for their adulthood?

And if your child thankfully remains healthy, would you like your premiums returned?

If you've answered yes to any of these questions, you may want to consider child critical illness insurance (Child CI). Child CI is designed to provide families with the financial resources to help support recovery and care of a child in the event of a critical condition and help ensure the child's future insurability.

### **Money at a time when it's needed most!**

Child CI pays a lump-sum benefit if your child is diagnosed with one of the critical conditions

defined in the policy and the survival period (usually 30 days) is satisfied.

### **Added support at a time when it's needed most!**

- Most offer medical referral services that can provide a second medical opinion on the diagnosis, recommend treatment options, identify leading doctors and co-ordinate treatment in medical facilities outside Canada.
- Some also include critical illness counselling and support services to help you and your child cope with the many issues that may be experienced (e.g. child or elder care resource referrals, stress management, financial consultation).

### **Protect your child's insurability**

Some insurers offer a conversion option upon policy expiration – usually around age 25 – without underwriting, to an adult critical illness insurance policy.

### **No claims – consider return of premium benefit**

Look for a policy that offers a Return of Premium Rider if you are interested in recouping 100 per cent of the eligible premium paid if a claim has not been made.



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# Mortgage refinancing – is it for you?

**Do you have equity in your home? If you do, and you're carrying debt with high interest rates, then consider refinancing your mortgage to pay off that debt and turn several payments into one.**

## Let's talk about debt

Credit card debt can be overwhelming if not kept under control. At first that \$2,000 balance on your favourite store's credit card may not seem like much, but if you spend years paying it off, the interest charges can be substantial.

These two examples show how expensive high interest rate debt can be, especially when only the minimum payment is made every month.

## Total interest charges and length of time to pay off debt using a minimum payment

Balance	Interest rate	Minimum payment calculation (% of balance)	Minimum monthly payment*	Total Interest charged	Months/years to pay off debt
\$6,000	15%	3%	\$180	\$4,148.17	208 months/17.3 years
\$2,500	19%	3%	\$75	\$2,565.84	189 months/15.7 years
\$2,500	24%	3%	\$75	\$4,554.76	256 months/21.3 years
\$2,000	28%	3%	\$60	\$6,055.39	300 months/25 years

\*The minimum payment decreases as the debt decreases.

## Total interest charges and length of time to pay off debt using a fixed payment

Balance	Interest rate	Fixed payment	Total Interest charged	Months/years to pay off debt
\$6,000	15%	\$200	\$1,567.13	38 months/3.1 years
\$2,500	19%	\$100	\$707.74	33 months/2.7 years
\$2,500	24%	\$100	\$1,000.28	35 months/2.9 years
\$2,000	28%	\$100	\$725.57	28 months/2.3 years

## How refinancing can help

If you're ready to reduce your debt, refinancing your mortgage may be the answer. Consider this example:

- Couple with two children
- Combined annual income of \$85,000
- Current mortgage of \$77,000 on a home valued at \$300,000
- Total debt of \$127,000 with monthly payments of \$3,200

## Before refinancing

Assets		Liabilities	
House	\$300,000	Mortgage	\$77,000
RRSP – husband	\$6,000	Line of credit	\$18,000
RRSP – wife	\$10,000	Line of credit	\$13,000
		RRSP loan	\$7,000
		Credit cards	\$12,000

## After refinancing

By refinancing, this couple increased their mortgage amount to \$137,000 and paid off their credit card debt, lines of credit and RRSP loan.

They chose a fixed-rate mortgage with a five-year term at 5.5 per cent interest. Their monthly mortgage payment now is \$995.86, with an 18-year amortization period. That's over \$2,000 per month less than they were paying for the mortgage and other debts before refinancing. They also put \$10,000 into RESPs for their children and they now have room to make monthly contributions.

Assets		Liabilities
House	\$300,000	Mortgage \$137,000
RRSP – husband	\$6,000	
RRSP – wife	\$10,000	
RESPs (\$5,000 per child)	\$10,000	

The above example is general in nature and for illustrative purposes only. The calculation is an approximation based on accelerated bi-weekly mortgage payments and is not an approved amount.

## What you need to know about refinancing

There may be a fee to refinance your mortgage. However, these costs are often covered by one or two months of improved cash flow from refinancing.

If you decide to refinance before your mortgage is up for renewal, you may be able to get a blended rate and incur no penalty.

Sometimes it's worth it to pay the penalty and go with a lower interest rate with a refinanced mortgage instead of your current mortgage rate.

If you're interested in refinancing, contact your financial security advisor. Your financial security advisor will connect you with a mortgage planning specialist who can help you find a solution that works for you.

# Protect your estate with life insurance

**Many people believe estate planning is only for high-income earners. The truth is, if you or your business own assets, you may need estate planning.**

An estate plan addresses how to manage your assets while you're living and how to distribute them upon death. It can involve your family, business partners or favourite charity. A good estate plan also considers how to reduce taxes.

## Your estate and taxes

The Canada Revenue Agency considers that you dispose of all your capital assets right before you die. This includes registered assets, such as registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs). It also includes non-registered assets, such as mutual funds, stocks, segregated funds and real estate property, including the family cottage.

Capital gains on these assets may be subject to income tax in the year of death. You can defer some tax by transferring assets to your spouse at the time of death. However, when your spouse dies, those taxes need to be paid.

Depending on your province, the income tax can be as high as 50 per cent. (This is the highest marginal tax rate in Canada as of September 2010.)

The good news is that with estate planning, you may be able to reduce the taxation on your estate and ensure more of your assets are passed to your heirs. A life insurance policy can be an effective way to do this.

## Estate planning with life insurance

In addition to providing financial security during a difficult time, life insurance also serves as a valuable tool for estate planning, as the diagrams illustrate.

As the first diagram shows, income taxes can significantly reduce your estate, by forcing your beneficiaries to sell assets or take out a loan to cover the taxes. However, as the second diagram shows, life insurance can give your beneficiaries an efficient way to offset the taxes and preserve more of your estate.

The death benefit of life insurance is not taxed. This makes life insurance generally a cost-effective way to cover anticipated taxes at death. It can help you leave a larger estate for your family and preserve more of your legacy for a favourite charity.

## Your financial security advisor can help

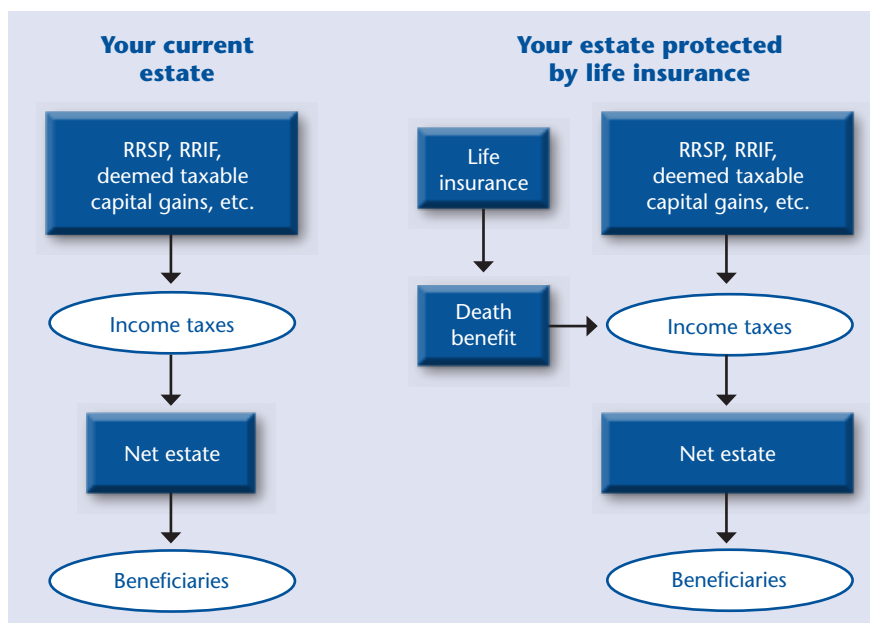
Your financial security advisor can help you select a life insurance policy that's right for your specific needs and circumstances.

This material is current as of September 2010 and is for information purposes only. It shouldn't be construed as legal or tax advice. Every effort has been made to ensure its accuracy, but errors and omissions are possible. All comments related to taxation are general in nature and are based on current Canadian tax legislation for Canadian residents, which is subject to change. For individual circumstances, consult with a tax professional.

Creditor protection depends on court decisions and applicable legislation, which can be subject to change and can vary from each province; it can never be guaranteed. Your client should talk to their lawyer to find out more about the potential for creditor protection for their specific situation.

A description of the key features of the segregated fund policy is contained in the information folder.

**Any amount that is allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value.**



## CRITICAL ILLNESS – CONTINUED FROM PAGE 1

This benefit can be used any way you like. You may choose to share money with your child to help:

- Recover the costs associated with your child's education
- Provide for a down payment on a vehicle or home
- Fund a trip to explore another part of the world

For more information about how *Child CI* may fit your needs, ask your financial security advisor.

# Retirement on the horizon?

Even if retirement is far off, it's important to understand reducing your exposure to risk to a level you are comfortable with is just as important while saving for retirement as it is when planning your retirement income.

## Know the risks, plan to manage them

Whether you are close to, in, or saving for retirement, many individuals have concerns about their retirement income; questions like:

- Will I have enough saved to generate the income I need to retire?
- Will my savings last as long as I live?
- What can I do to ensure my savings aren't eroded by poor market performance?

They're good questions.

## Canadians are living healthier and longer

The risk of outliving your savings is real:

- Canadian life expectancy hit 80.4 years of age in 2008, an increase from 77.8 years in 1991.\*
- One in every two people aged 65 today will live to see age 90.

Successful retirement planning considers you might live beyond your life expectancy.

## It costs more to live

The impact of inflation becomes greater in retirement because expenses can keep increasing while your income may not.

At just a one-per-cent inflation rate, the purchasing power of one dollar in 25 years will be reduced to just 78 cents.

## Market volatility hits those in early retirement the hardest

Market declines early in retirement when you're withdrawing an income can erode your savings at an accelerated rate.

## You need individualized solutions

Addressing these concerns requires product solutions and strategies that provide you with:

- Growth potential to keep up with inflation
- Guarantees to help maximize your retirement income and ensure it lasts
- Ways to manage market uncertainty
- Access to a wide choice of investment funds for all levels of risk

## Consider the protection and versatility of segregated fund policies

Segregated fund policies are flexible solutions that can be structured in a number of ways to meet your specific life circumstances. They provide a number of fund choices, and options that give you the ability to generate income for life when you start drawing on your savings. They also can provide risk protection against volatile markets and growth potential from exposure to equity markets.

Combine all these elements with the benefits segregated fund policies can provide – like potential creditor protection and various options for maturity and death benefit guarantees, and they can become a powerful part of your retirement income solution.

\*Source: "Life expectancy in Canada hits 80.4 years: Statistics Canada", CBC news, Monday Jan. 14, 2008

Make your investment decisions wisely. Important information about London Life's segregated funds can be found in the Information Folder, available from your Freedom 55 Financial security and investment representative and important information about the Quadrus Group of Funds can be found in the funds' simplified prospectus. Please read these documents carefully before investing.

Mutual funds are not guaranteed. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund and segregated fund investments. Their values change frequently and past performance may not be repeated.

**SUBJECT TO ANY APPLICABLE DEATH BENEFIT GUARANTEE OR MATURITY VALUE GUARANTEE, ANY PART OF THE PREMIUM OR OTHER AMOUNT THAT IS ALLOCATED TO A SEGREGATED FUND, UNDER THE FREEDOM FUNDS AND MARKETWATCH INVESTMENT OPTION, IS INVESTED AT THE RISK OF THE POLICYOWNER AND MAY INCREASE OR DECREASE IN VALUE ACCORDING TO THE FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE SEGREGATED FUND.**



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