Helkie Financial

THE NEWSLETTER OF
MONEY MANAGEMENT AND
FINANCIAL PLANNING IDEAS

Planning Ahead

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QUADRUS

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FOCUS ON INSURANCE

Lessons from the Rhinestone Cowboy

Legendary singer Glen Campbell (aka the Rhinestone Cowboy) has Alzheimer's and has been living in a care home since 2014. At one point last year, his wife brought him home thinking that she could care for him herself. Within a few months, she was overwhelmed and he was back at the facility.

Fortunately for Campbell, a vast personal fortune enables his family to ensure he has the very best care. What about yours? For those of us without a mantel full of Grammy Awards, there's long-term care insurance.

The facts

According to the Canadian Alzheimer Society, there were 747,000 Canadians living with the disease in 2011. That number is expected to double to 1.4 million in just 15 years.[1]
In many instances, the task of caregiving goes to family members, resulting in stress, time off from work, and potentially lost income.

Long-term care insurance can help ease the strain and preserve your savings. If you are unable to care for yourself because of a specific ailment, chronic illness, or other physical or cognitive disability, the benefits can be used to pay for special equipment, an in-home caregiver, or round-the-clock care in a nursing home.

Protect yourself and your family

Without this financial safety net, the cost of your care might deplete your personal savings or wind up with your children.

To learn more about long-term care insurance, come in and talk to us. You might want to bring your adult children, too. Some families choose to share the cost to help ensure that the older generation will be able to afford the care they deserve. ■

[1] Alzheimer Society of Canada, *A new way of looking at the impact of dementia in Canada*, 2012.

Tuck it in 'buckets'

What are you investing for? Travel? Dream house? Sabbatical? Starting a business? Chances are, there are lots of things you hope to experience, and your mutual funds are there to help. How? By taking a bucket approach.

You see, your mutual fund portfolio isn't just one big bucket of accumulating assets. Rather, it's three (or more) buckets, each with its own timeline, objectives, and appropriate mutual funds, as illustrated below:

Bucket	1. Short-term goals	2. Mid-term goals	3. Long-term goals
Approximate time horizon	Under 5 years	6 to 15 years	More than 15 years
Typical goals	• New car • Family vacation • Home renovations • Parental leave	• Children's post-secondary education • Taking a sabbatical • Purchasing a vacation home	• Retirement
Investment characteristics	• Security • Accessibility • Highest available interest earnings	• Growth and income • Moderate volatility • Tax-efficiency	• Maximum growth potential • Moderate to high volatility • Protection from inflation
Types of funds to consider	**Money market funds** • Invest in short-term, fixed-income securities, such as treasury bills, certificates of deposit, and other highly secure debt issues **Fixed-income funds** • Hold investments that pay a fixed rate of return on a regular basis, such as bonds issued by governments or corporations **Dividend funds** • Invest in companies with a proven history of earning income that is distributed to investors as dividends	**Balanced funds** • Designed to provide a mix of income and growth **Equity funds** • Growth-oriented for capital gains potential • Income-oriented for dividends • Taxed less heavily than interest income (outside of registered plans) **Target date funds** • Automatically rebalanced over time to provide ready access to cash at a specified date, such as child's entry to university **Global equity funds** • Provide diversification, access to opportunities in other markets	**Equity funds** • Broad-based Canadian, U.S., international funds to provide diversification and growth potential **Sector/specialized funds** • Higher potential growth (subject to greater volatility) **Portfolio funds** • Provide a one-decision, diversified, professionally managed portfolio of funds

Whatever your specific goals and time lines are, we can create and monitor a mutual fund portfolio to help you reach them. And while the bucket approach is one way to match specific funds to specific goals, we keep a close watch on all the buckets — to ensure your funds are working effectively together, continue to reflect your investor profile, and are structured to be as tax-efficient as possible. ■

EDUCATION

Sharpen your pencils: post-secondary students and finances

Every September, many university and college students find themselves moving away from home and managing their money independently for the first time. It's an exciting step, but also a time when financial novices can easily get into trouble. As a parent, it is important to help your children develop strong financial skills. Here's how.

Budgeting basics

Work together to jointly establish a school year budget that takes into account their earnings from any summer and part-time employment, scholarships, and government grants or loans. On the spending side, you'll need to account for tuition, textbooks, accommodation, food, transportation and entertainment. Seeing these expenses, in black and white, against the funds available to them may encourage your children to think very carefully about discretionary expenditures.

Credit card smarts

Many financial institutions offer student credit cards with low or no annual fees and low interest rates or finance charges. If this is their first credit card, it's important they learn how to manage it.

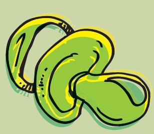
Together, you can determine the rules for using the card, such as using it only for groceries, gas and school supplies, and paying it off in full every month.

It's important for young adults to learn how to live within their means and take responsibility for their financial future. Part of that is helping them grasp the concept of their credit record. Just like their academic transcript, it can have a lasting impact on their lives.

There's a lot for students to discover when they first move away. Feeling confident they can manage their own finances gives them a head start. If you need to brush up on your own basic financial skills, like budgeting, in order to teach them to your kids, we can help. ■

EYEOPENER

RESP milestones

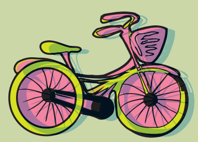


Birth

Contribute the maximum of $50,000, and your RESP will grow to more than $150,000 by the time your child is 18, assuming an annual return of 6%. However, you'll get only $500 in CESG.

Age 2

Want to generate the maximum lifetime CESG payment of $7,200? Start now and contribute $2,500 each year until your child turns 17, and you'll have more than $88,000 assuming an annual return of 6%.



Age 10

Haven't started yet? It's not too late. Contribute $5,000 each year for the next seven years and you'll get CESG of $1,000 each year, thanks to the carry-forward of unused grant entitlement.

Age 16 & 17

In order to receive the CESG, RESP contributions must either total at least $2,000 before the end of the year in which the child turned 15 or be at least $100 a year in any of the four years preceding the year the child turned 16.

Age 18

Contributions can be made to an RESP for up to 31 years. The plan can stay in existence for a maximum of 35 years.

FOCUS ON EQUITIES — BALANCE — FOCUS ON SAFETY

With tax-deferred growth and the benefit of the Canada Education Savings Grant (CESG), Registered Education Savings Plans (RESPs) are a great way to save for a child's post-secondary education. The above time line highlights some key dates and deadlines that you won't want to miss in order to make the most of your RESP.

Over time, the investments in your RESP should change from primarily equities and equity funds (to take advantage of long-term growth potential) to fixed income and cash (as you prepare to take the money out). ■

Split the cost, share the benefits, with split-dollar insurance

One of the special characteristics of permanent life insurance is that it has two components: a tax-free death benefit and a tax-sheltered cash value. This opens up an interesting planning opportunity if you're a business owner, an executive, or part of a multi-generational family. Sharing the policy can be a cost-effective, tax-smart way to protect your business, insure a key person, or create a flexible estate plan.

With this approach, sometimes called a "split dollar" or "shared ownership" arrangement, two (or more) parties with a mutual interest can split the cost and the benefits of a single cash-value policy. Here are two examples to illustrate how it can work.

For businesses

Ken is a business owner who relies heavily on the expertise of his top executive, Phil. If something were to happen to Phil, it would be hard on the business financially, as he is their top salesperson.

Ken's company can purchase a policy on Phil's life. The company pays for the insurance, owns the policy, and is its beneficiary. If Phil passes away, the death benefit can be used to replace the revenue he brought in or hire a replacement.

So what's in it for Phil? He pays for and owns the investment portion of the policy, which grows on a tax-deferred basis (up to a prescribed amount). He can tap in to the policy's cash value or borrow against it, making it a very attractive employment perq. When he retires, the policy can be terminated and Phil can use the accumulated cash value to help fund his retirement.

The roles could also be reversed: Phil could pay the cost of the insurance to protect his loved ones and the business could benefit from the accruing pool of capital. This might be ideal in a start-up situation, where a source of easily accessible funds would be useful.

For families

Mary is a single parent with two small children. Mary's mother, Paula, has maxed out her Registered Retirement Savings Plan (RRSP) contributions and is looking for tax-effective ways to invest.

They can purchase a permanent life policy on Mary's life. Mary pays for the insurance component. If something were to happen to her, the death benefit would provide financial support for her children.

Paula pays for and owns the investment portion, which grows on a tax-free basis. She can draw from the cash value or borrow against it to supplement her income, perhaps in retirement. Upon Paula's death, any remaining cash value can go to her beneficiaries, tax-free.

For you?

The above are just a few examples of the potential benefits of this flexible insurance-planning technique. There are many more situations in which it may be worth considering for your family or business, and a variety of ways to structure the ownership. To learn more, please come in and chat with us in person. ■

3 ways to save on life insurance

Life insurance premiums are based on a number of factors, but the principal factor is your age. Simply, the younger you are when you buy, the lower your premiums will be. So if you're thinking about adding a new policy or increasing your level of protection, it pays to do it now.

But youth isn't the only way to reduce your insurance costs. Here are three lesser-known strategies.

1. Backdating

Policies are typically based on your age at your nearest birthday. In some cases, that could mean rounding your age up. But thanks to a process called "backdating," it may be possible to have a new policy priced at the younger of the two ages. Backdating enables you to lock in the lower rates, saving as much as 10% on your premiums in some cases. Happy birthday, indeed!

2. New policy

It may seem counter-intuitive, but the premiums on a new term life policy could be lower than on your existing one even though you're older than when you took it out. This is especially likely if you have adopted a healthier lifestyle in the interim.

3. Non-smoker rates

Non-smokers pay less than smokers because they tend to live longer. If you have quit recently, contact us. Even if your premiums were originally based on smokers' rates, you may qualify for non-smoker rates now.

Life insurance is available in a wide range of coverage amounts and policy types. We can help you find the protection you need at a price that fits your budget. ■

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