

## Do you Need Life Insurance During Retirement?

**A**s financial advisors, we help our clients to make smart decisions about their money, and we also help them make smart decisions related to life, disability and critical illness insurance.

Insurance discussions with clients are often very interesting because at this time the emotions of people are so intricately tied to the discussion of the death of a loved one, particularly a spouse.

When we're working with a young couple with children and a mortgage, most couples quickly agree that they need life insurance on each spouse to pay off all existing debts and to pay for the final expenses of the deceased spouse. More life insurance is needed in these situations if the surviving spouse requires additional earnings to supplement his or her income. In many situations, we recommend a term-10 or term-20 life insurance option and shop the market for the best available rate for the client. This solution allows the client to get the right amount of coverage at an affordable price.

So now let's assume that the children have grown up and gone on to university or college, the mortgage is paid off and some funds have been set aside for retirement. Should life insurance still play an active part in your overall financial plan?

In some situations it is clear that a life insurance policy offers the best strategy. One classic situation occurs when a family owns a cottage that has increased substantially in value. In this case there will be a large tax bill to pay upon the death of the last surviving parent. Life insurance can be used in this situation to offset the taxes payable when the cottage is sold or transferred to another member of the family, leaving the assets of the estate in tact.

Described below are two examples where individuals may want life insurance at an older age but where the need for coverage is less evident.

*Example #1:* Mary & John are both age 60. They are debt free and have sufficient funds saved for retirement. They want to leave a legacy to their children, and can easily afford to spend \$220/month on a solution. Mary & John could purchase a life insurance policy that pays \$250,000 on their last death.

If the last death is at age 80, the guaranteed after-tax rate of return to the beneficiaries of the policy is 6.4%. If the last death is at age 85, the rate of return is still 5.6% and if the last death is at age 90, the rate of return is 5.1%.

*Example #2:* Joan is a healthy 65-year old. Her husband Bob passed away several years ago. Bob and Joan made the decision many years ago to have life insurance on Bob's life and they kept the insurance into retirement. Joan is now financially independent from the life insurance paid on Bob's life, but she now has a tax problem. Joan is a conservative investor and has a fair amount of her funds invested to bonds and GIC's that are taxed at high tax rates. Joan decides to purchase a universal life insurance contract with a base death benefit of \$300,000. She deposits \$25,000 per year to the contract for 6 years. Joan invests the funds and earns 5% annually in the contract. At her age 80, the contract will pay \$409,012 to her beneficiary or an 8.3% after-tax rate of return to her beneficiary. At age 85, the contract pays \$397,535 or 5.7% after-tax rate of return to her beneficiary.

For many people, the obvious need for life insurance diminishes over time. However, life insurance often becomes an important part of the strategies used for asset preservation, tax sheltering and charitable giving.



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Principal and Financial Advisor*

## Inside this Issue

**Market Commentary**  
page 2

**Tax and Estate Planning Corner**  
page 2

**Community Business Profile**  
page 3

**Group Benefits Fundamentals**  
page 3

**Spotlight**  
page 3

**Inside Arca**  
page 4

**Lifestyle Tips**  
page 4

**Arca Family Announcements**  
page 4



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# MARKET COMMENTARY

## Financial Markets Review

### Market Index Report

Fund Name	YTD to 04May2007 %	December 31 2006 %
Dow Jones Industrial Average	6.82	16.29
Dow Jones Industrial Average (\$ Cdn)	-4.34	16.23
MSCI World (\$ Cdn)	1.51	20.58
NASDAQ Composite	6.48	9.52
NASDAQ Composite (\$ Cdn)	-0.80	9.46
S&P 500 Composite	6.43	13.62
S&P 500 Composite (\$ Cdn)	-0.89	13.56
S&P/TSX 60 Index	6.50	17.02
S&PTSX Composite Index	7.41	14.51
SC Universe Bond Total Return Index	0.60	4.06

"The nice thing about teamwork is that you always have others on your side."

Margaret Carty

Article sourced by Lori Struk  
Index chart found at [globeadvisor.com](http://globeadvisor.com)

This historical information represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares/units when redeemed may be worth more or less than the original amount.

The information included in this report is based upon data obtained from public sources believed to be reliable; however, Globe interactive does not guarantee the completeness or accuracy thereof.



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## TAX AND ESTATE PLANNING CORNER

### Some Recent Tax Changes of Interest

**A**lthough the recent Federal and Ontario Budgets did not provide any broad based tax reductions, there were a few proposals that may be of interest to you.

The budget proposes to increase the age at which you must convert your RRSP (Registered Retirement Savings Plan) and RPP (Registered Pension Plan) from 69 to 71, starting in 2007. If you are 70 or 71 this year, you can still contribute to your RRSP provided that you have contribution room. There are also some additional transitional provisions if you already have a RRIF established (where you are 71 or younger).

The budget also included changes to RESPs (Registered Education Savings Plans). The lifetime limit will be increase from \$42,000 to \$50,000, and the annual maximum of \$4,000 will be removed. The maximum annual grant will also be increased to \$500 per beneficiary, but the lifetime grant amount of \$7,200 does not change.

If you own shares in a qualified small business corporation or qualified farm property, you will now

be able to shelter up to \$750,000 of capital gains, rather than the old limit of \$500,000, by claiming the capital gains exemption.

The budget also confirmed that the pension income splitting proposals will be effective for 2007. So when you file your 2007 tax return next April, you will have the option of transferring half of your qualified pension income to your spouse's return to take advantage of his or her lower tax bracket.

If you would like any more information on these proposals, please contact your advisor.



Contributor: Christine Black  
B.Math, CA, CFP, TEP  
Arca's Tax and Estate  
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# COMMUNITY BUSINESS PROFILE



The internet was just starting to gain recognition in 1999 when We-Create formed. They say that it could have been divine intervention when four brilliant university graduates, who were bleeding edge internet gurus, developed an alliance and were looking for business guidance. Through the magic of the internet, Cam Turner, Jeff Sambells, Jason Panda and David Bean connected with Bill Waters and they soon realized that with the combination of their passion for the technology industry and their very strong interest in community it simply made sense for them to take these powerful attributes and blend them together to create a company.

The centre piece of their organization is ConnectorLocal.com. From this web site they have been able to join online applications that strengthen the local relationships in media, community groups, businesses and most importantly the community at large. Their systems have the unique capability of interconnecting people within geographic regions, which in turn strengthens relationships throughout the community. ConnectorLocal.com ties all of their associates, local radio

stations, businesses and community groups together in a common shared environment while still enabling participants to maintain and enhance their individuality. In the Waterloo region they currently provide service to three radio stations, twenty-nine community groups and one hundred and seventy-five businesses. All of their clients have a strong appreciation and dedication to their local community and are progressive and understanding in what is real and effective.

We-Create is also known worldwide for their expertise in building large custom online applications. Companies such as Wal-Mart, Pepboys and InterRai are included in the list of customers for which We-Create has designed complex web site developments.

We-Create has started building Connector Communities in London and Windsor and plans on building the ConnectorLocal.com program into three hundred and sixty-seven regions throughout North America. They intend on making the ConnectorLocal.com property the most relevant Social Networking system in the world in the next five years.

*Contributor: Connie Barnett*

## GROUP BENEFITS FUNDAMENTALS

### Protecting Expatriate Employees

Recently had a call from a client asking about expatriate group insurance protection for an employee who was going to be working in China.

It is not often that we receive calls pertaining to this situation and it reminded me that most Canadian Employee Benefit Plans do not have long term solutions for the expatriate employee. These are individuals that move to another country with their families for a period of one to five years. They no longer have access to either the Canadian Health Care System or their employer's group health plan because they are no longer residents, and they are out of the country for 181 days or more a year.

I would imagine that it wouldn't be uncommon to discover that many Canadian expatriates do not have the right type of coverage. Many are wrongly covered by health insurance plans designed for local employees through conventional group insurance providers. The needs of expatriates are so different from those working in Canada.

The work world has changed a great deal during the past few years. As employers look to compete globally, more individuals will be sent abroad. Insurance overseas has become essential. Expatriates need to know that their employers have thought through what they will be facing.

Employers need to provide rapid access to high-quality medical and counseling services that are available twenty-four hours a day.

So, how do Canadian companies go about protecting their expatriate employees? They need to undertake a crisis management analysis. Preparing a budget that "blue-skies" all the "what-ifs" that should be done.

Having an international employee assistance program and a world-wide employee benefits provider in place would be a good start.

So, if you find yourself in this situation, and are unsure of what to do, please call us at Arca Financial Group. We can help.



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Arca's Group Benefits  
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## Spotlight

### Summer Hours

Summer hours will be in effect at Arca from July 3rd through September 1st inclusive. Our office will be open: Monday to Thursday 8:00am to 5:00pm and Friday, 8:00am, to 12:30pm. Regular office hours resume Tuesday September 4th.

### Annual Charity Barbeque

We are planning our Annual Charity Barbeque for Saturday, September 15th. Watch for more details coming your way over the summer.

### Spotlight on Your Business

In order to offer networking opportunities to our clients and business partners, we will be featuring one such business in each newsletter. If you would like your business to be profiled, please contact Connie Barnett at 519-745-8500 ext. 224 or by email [cbarnett@arcfinancial.com](mailto:cbarnett@arcfinancial.com).

### Visit Us Online

Looking for information about Arca Financial or any of the products and services we offer? Need directions to our office? Need to contact us? Visit us online anytime at [www.arcfinancial.com](http://www.arcfinancial.com).

We wish you and your families a safe and happy summer.

*Contributor: Sue Langdon*

# INSIDE ARCA

## Client Presentations

Arca offers information sessions to our clients throughout the year. Invitations for these sessions are sent out based on the product or concept being an excellent match to the client's financial needs.

On March 15th we invited clients to the Getting the Most from Your Retirement seminar presented by Manulife Investments. The presentation was held at Centre in The Square and featured Moshe Molevsky and Louise Guthrie. Those who attended learned; how to grow and protect investments, how to invest in the most tax-efficient way and how to protect a lifestyle of your dreams.

On April 26, 2007 Arca hosted a dinner presentation on Individual Pension Plans (IPP) and Health Spending Accounts (HSA) at Wildcraft Bar & Grill. Gilles Marceau from Executive Retirement Plan presented information which highlighted the many opportunities available through the development of an Individual Pension Plan (IPP) and a Health Spending Account (HSA).

## LIFESTYLE TIPS

### Fats and Figures

With all the buzz about the benefits of using oils with less saturated fats and trans-fats, and promoting more monounsaturated fats and oils containing omega 3's, it would be surprising to find anyone who doesn't find themselves getting a little confused. It may help to keep in mind some facts that are common to all fats and oils right across the board:

1. ALL oils are pure fat
2. ALL oils have about 120 calories per tbsp. regardless of whether they're saturated or not
3. ALL oils should be kept refrigerated after opening to extend quality and shelf life
4. ALL oils are a mix of saturated, polyunsaturated and monounsaturated fats
5. Other than trans-fats, all of the following oils are beneficial and necessary in our daily diets

**Saturated fats** are derived mainly from meats and dairy products such as butter and cream. They contain fatty acids which are necessary in our diets, but out of the suggested 20% - 30% total fat consumption recommended daily, not more than 10% is recommended from saturated sources.

**Polyunsaturated oils** such as corn oil, safflower and sunflower oil are considered to be quite healthy because they decrease the "bad" cholesterol (LDL) levels, but they also decrease the "good" cholesterol (HDL) levels to a point and are generally more unstable, breaking down in high heat.

**Monounsaturated oils** are considered to be the most heart healthy. Not only do they decrease the LDL levels, but they also increase the HDL levels. Olive oil and canola oil contain the highest percentage

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## End of RRSP Season Party

Each year at the end of RRSP season the advisors and staff of Arca celebrate their hard work over the past months with an evening of fun at Morty's Pub in Waterloo. This year we celebrated on March 21, 2007 and enjoyed munchies and a few games of pool. We would like to say a special thank you to Scott Trimm of Franklin Templeton, who was generous in sponsoring our evening.

## Girls Day Out

We added Girls Day Out to our staff celebrations this year. Connie Barnett planned a very special day for all of the girls at Arca. The afternoon included shopping in downtown Stratford, a team building meeting, dinner at Let Them Eat Cake and a private skating session at the Dufferin arena. We were definitely girls again when we laced up those skates!

## Jeans Day

At Arca every Friday is Jeans Day. For a donation of \$2.00 staff can 'dress down' for the day. The donations are collected throughout the year and donated to Adopt-a-Family through, Family & Children's Services in December each year.

Contributor: Sue Block

of monounsaturated oils. Olive oil also has a high heat threshold. Sources of **Omega 3 oils** are mainly found in fish (tuna, salmon, and cod). Our bodies do not manufacture omega 3 which is why it's recommended that we eat foods high in these oils. Omega 3 oils have been found to be helpful in preventing heart disease and other autoimmune disorders.

**Trans-fats** are a man-made mixture of polyunsaturated oils (usually soybean) which have been hydrogenated. This is done by fusing the oils with hydrogen gas at high temperatures through a metal catalyst. Manufacturers began doing this as far back as the 1930's in order to keep costs down and increase shelf life. It has been discovered that trans-fats not only increase the LDL levels, they also decrease the HDL levels. Trans-fats are extremely difficult for the body to digest in that they accumulate and plug up the plumbing in your system. They are linked to the cause of heart disease, diabetes and Alzheimer's disease. Manufacturers of cookies, crackers, breads, pastries and fast food restaurants are in the process of removing trans-fats from their recipes. Government legislation has been passed to ban their use. Please check the labels on your grocery purchases and try to stay clear of hydrogenated or partially hydrogenated ingredients – it's for the good of your health! There are many websites available to find more information.

Contributor: Rose Frim



## Arca Family Announcements



Welcome to Stephanie Schaefer! Stephanie is the newest addition to the Arca Family. She recently graduated from Trent University where she received her Honours Bachelor Science degree. Stephanie has joined the Lunz team as a Client Service Associate.



Congratulations to Mirka Petro! Mirka passed her Life License Qualification Program (LLQP) exam in February 2007.

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