

# Well-Advised

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We hope you'll have the chance to get together with friends and family this summer and catch up on all the exciting events in your life. We'd like to hear about these events too, as they can often affect your financial plan. Call us today — we're always available to apply our expertise in helping you shape your financial future.

## Taking care of aging parents

*A new responsibility in your life requires planning ahead*

According to Statistics Canada, almost 30% of Canadians belong to the “sandwich generation” — those responsible for the care of both their children and their aging parents.

At some point, your aging parents will probably need your assistance. By taking the right steps now, you can reduce the emotional and financial stress that often accompanies that responsibility.

### Talk openly with family

Broach the topic of future plans with your parents. Find out where they'd consider living and, if unable to live independently, what medical assistance they would be willing to accept.

Understanding your parents' financial situation is a necessity. If your parents are still fairly young and healthy, they may qualify for long-term care insurance, which could help with home health care costs or assisted living facility expenses.

Investigate in advance the potential costs of your parents' care based on their wishes. Make sure that there's a financial

plan in place to cover them, and also determine your financial involvement.

### Estate planning is essential

Your parents' estate plan should also be up-to-date. At a minimum, for each of your parents, the following documents should be professionally prepared, long before they may be needed:

- a valid will that sets out how their property is to be distributed;
- a continuing power of attorney for property (mandate in Quebec), giving someone the right to manage their financial affairs if they become mentally or physically unable to do so; and
- a power of attorney for personal care (mandate in Quebec; health care directive in Manitoba), authorizing someone to make decisions about their personal health care if they become incapable of making those decisions.

We're here to help you find the right financial, insurance and estate planning solutions to secure your parents' care and your peace of mind. ■



# Follow these guidelines when choosing an executor

Selecting someone for the important position of executor is more than just bestowing an honour on a friend or relative. An executor has to carry out a wide variety of tasks, including making funeral arrangements; arranging for probate (in most provinces); protecting, valuing and distributing estate assets; filing tax returns; and accounting to the beneficiaries — while adhering to your will.



## What to look for

Although there are no definitive rules as to who will make a good executor, it's in your best interest to name someone who is:

- **Trustworthy.** Since he or she will be managing your financial affairs, your executor should be someone you trust absolutely. You must also be satisfied that the person will act in the best interests of your beneficiaries, regardless of his or her personal feelings towards them.

- **Acceptable to your beneficiaries.** The executor may have to balance competing interests among the beneficiaries with impartiality. A lack of trust between the beneficiaries and the executor can give rise to legal battles that will be costly for your estate and upsetting for all involved.

- **Capable.** An executor doesn't need specialized legal or financial skills, but he or she should have some knowledge of tax, investment and estate issues and how to manage financial assets. An executor does need the wisdom to hire the necessary expertise your estate may require. For example, your executor doesn't need to

personally prepare your final tax return, but he or she should hire an accountant to ensure that it's prepared and filed correctly. Although your professional advisors may seem to be suitable candidates, keep in mind that they are likely to have other pressing obligations.

- **Willing and able to serve.** Before making the appointment, make sure the person is willing to assume the responsibility. When the time comes, the person you have chosen may still decline the position or may not be able to assume the responsibility.

Your executor could predecease you, requiring you to name a new executor, or die during the administration of your estate, in which case your executor may be court-appointed. For these reasons, it's also a good idea to name an alternate executor.

- **Lives close to you.** Your executor will have a number of tasks, such as dealing with your bank, which may require personal attendance. If the estate takes some time to administer, it may be difficult and costly for an executor to discharge his or her duties from far away.

## Review your choice

You should periodically review your choice of executor and determine whether it is still appropriate. For example, if you've appointed an executor who is aging, he or she may no longer be capable of handling such a complex task. Or perhaps when your will was initially prepared, your children were too young to consider, but now they may be an appropriate choice. Certain life events, such as divorce, may also prompt you to reconsider your appointment.

Be sure to discuss your will with your executors and make sure they know who your advisors are and the location of critical documents, such as your will, tax returns, birth certificate, insurance policies and other important documents.

Choosing an executor is a personal decision. But we'd be happy to discuss the topic with you and provide any estate planning guidance you may need. ■

## Consider a corporate executor



Many people choose a family member or trusted friend to act as executor. However, there can be significant benefits in appointing a professional, such as a lawyer or trust company, to act as your estate's executor or co-executor. Here are a few cases where appointing a corporate executor may be a wise choice.

- **No suitable family members.** If no family member has the interest, expertise or time to administer the estate efficiently, a corporate executor may be a good alternative.
- **Large and complex estate.** If your estate involves numerous investments, complicated business interests or international holdings, you may need a corporate executor with experience in these areas.
- **Long-term trusts.** If your will establishes long-term trusts for any of the beneficiaries, including minor children, the executor's responsibilities could last for many years. A family member or friend may be unwilling or unable to take on such a long-term role.
- **Special-needs beneficiaries.** If you have beneficiaries with special needs, such as permanent disabilities, a corporate executor can ensure that trusts set up for their benefit are properly administered to take advantage of tax benefits that may be available.
- **Potential for conflict.** If you think there is a likelihood of conflict among your beneficiaries, a corporate executor may be better able to act impartially than a family member or friend.

## Diving into recreational property?

Low interest rates and eager lenders have made it easier for buyers to enter the recreational property market despite soaring prices. Whether you're buying for personal use or for investment purposes, these pointers will help you make an informed decision.

### Understand the market

While recreational property values have skyrocketed recently, future appreciation is not guaranteed. The market for recreational real estate is much smaller, less liquid and more volatile than that for residential homes.

If investment potential is a key factor in your decision to purchase, be sure to consider the implications for the rest of your portfolio. For example, you may want to review your overall asset allocation since you will now have a greater weighting in real estate.

### Consider the tax implications

If your property appreciates in value, the gain is likely to be subject to capital gains tax when you sell — unless you choose to designate the property as your principal residence and then claim the principal

residence exemption. In that case, any gain may be tax-free.

The problem with the principal residence exemption is that it applies to only one family property at any time. So if you claim the principal residence exemption on your recreational property, it won't be available to shelter any increase in your regular home's value during those years, should you sell or leave it to anyone other than your spouse.

When buying recreational property outside of Canada, understand the tax consequences before you purchase.

### Who should own it?

As part of your tax and estate planning, you'll also need to decide how you intend to own the property:

- as a sole owner;
- as joint tenants, where your interest passes to the other joint owner automatically upon death (note that the concept of joint tenancy with right of survivorship does not exist under Quebec law); or
- as tenants in common, where each

## Check the waters first



owner can buy, sell or bequeath his or her interest.

There are pros and cons to each approach, which you'll want to review with a professional advisor in advance of your purchase to determine which is best for your situation.

### Should you build or buy?

Do you want to build your own dream chalet or cottage, or purchase an existing one? The advantages of building your own are that you get exactly what you want in terms of design and structure.

The disadvantage is that you will need to wait one or two years or longer to enjoy your purchase when you factor in design and construction time. And if you need a mortgage to finance your purchase, the interest rate may be higher during the actual construction process.

### Line up financing in advance

To ensure you have the money you need to complete your purchase, negotiate financing well in advance of making an offer. Some lenders may impose restrictions or offer less favourable rates on property that doesn't have year-round access or carries a non-residential zoning designation. Some lenders specialize in recreational property mortgages.

If you are considering a recreational-property purchase, be sure to let us know. We can adjust your financial plan to help you reach this goal, while helping to ensure that you stay on track to reach your other objectives too. ■

## What will your property really cost?

To determine what you can afford, factor in these costs as well:

✓ **Property taxes.** Municipal property taxes can be staggering, especially for prime location properties sited on waterfront or close to ski lifts. Some owners are surprised by a tax bill that's higher than that for their primary residence. Check the tax rates that will apply to you.

✓ **Insurance.** Don't assume that the same homeowner's insurance rates will automatically apply to your recreational property. Rates will vary based on a number of factors, including proximity to local fire departments and availability of year-round road access.

✓ **Utilities.** Utility costs may be higher than you expect if the climate is more severe (hotter or colder) than that of your principal residence location. They'll also vary depending on the energy sources. Electric baseboards, for example, can be more costly than other sources of heating.

✓ **Maintenance.** If you're building the property, maintenance won't be a major concern for several years. If you're buying an older building, however, you'll need to budget for repair and upkeep.



# Disability vs. CI insurance: The distinction may be critical

Most people are familiar with disability insurance, often provided as part of a group benefits plan through an employer. It provides a monthly benefit that replaces part of your lost income if you're unable to work because of illness or injury. Group benefits also often include life insurance, which pays out a tax-free lump sum to your named beneficiaries upon your death.

But you may not be familiar with another type of insurance — critical illness (CI) insurance. Without it, there may be a gap in your insurance armour — a gap that could result in financial hardship for you and your family.

## Critical coverage

If your personal insurance coverage is limited to disability and life insurance, you are not insured against the financial consequences of a serious illness that you survive. With improvements in medical treatments, people are recovering from serious illnesses that would have been fatal in the past.

For example, the Heart and Stroke Foundation of Canada estimates that 90% of all people who suffer a stroke survive. Forty percent of those survivors are left moderately to severely impaired, and 10% are so seriously affected that they require long-term care.

## Family first

The impact on other members of the family can be just as severe. A spouse may have to take time off work to care for his or her critically ill partner. If the ill person is also the primary caregiver for the family's children, someone may need to be hired to fulfill that role.

## A living benefit

Critical illness insurance can fill the insurance gap by paying a “living benefit.” If you're diagnosed with a serious medical condition which is covered by your policy — and you survive the diagnosis for 30 days — you'll receive a tax-free lump sum. Unlike disability benefits, the payment is not linked to your inability to work.

The benefit is yours to use any way you want — to cover unexpected medical costs, for living expenses, or to maintain retirement savings. For example, you could decide to use the benefit:

- to hire a nurse or a caregiver, or even to obtain medical care outside of Canada;
- for renovations to your home to accommodate your illness;
- to pay off debts or replace lost income;
- to take a holiday to focus on your recovery;
- to be financially able to spend time with your loved ones; or
- to hire someone who is capable of keeping your business going if you are self-employed.

## Covered conditions

Almost all critical illness policies cover cancer, heart attack, stroke and coronary artery bypass surgery. The other covered medical conditions will vary, depending on the policy. Each insurance policy is different, so look for the one that best meets your needs.

Adequate protection is an important part of any financial plan — and we can help ensure you understand your needs and options. ■

# Break through the RRSP barrier

If you've contributed the maximum to your Registered Retirement Savings Plan (RRSP), congratulations. You've taken a major step towards ensuring your financial security after you retire.

But what do you do next? Is there any other effective, tax-deferred investment option available to you?

One possible solution, if you also have a need for life insurance, is a universal life policy. Universal life is a type of permanent life insurance that offers tax-deferred investment growth, along with a tax-free death benefit for your named beneficiaries.

Here's how universal life insurance works. There are two components — an insurance portion and an investment portion. You make a series of deposits into your policy, which exceed the actual cost of insuring your life. The excess goes into an investment account, where it accumulates on a tax-sheltered basis, just like investments held in an RRSP.

As the “investment side” of the policy grows, there are a number of ways to tap in to the accumulated value. You might:

- use it to increase the policy's death benefit;
- use it to cover future premium payments;
- withdraw some or all of the accumulated cash value (withdrawals may be taxable); or
- borrow against it.

In order to maintain its tax-exempt status, universal life insurance is subject to various restrictions and qualifications. It's wise to consult with an insurance professional for specific details.

With professional advice, you can review your life insurance needs and determine whether universal life might be a good fit for your retirement plan. ■