Financial
UPDATE
From Milestone Wealth & Estate Planning Group Inc.

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Focus your financial security picture

For legal advice, many Canadians work with a single lawyer who comes to understand their individual situation and concerns. For taxation matters, they look to a single accountant familiar with their bookkeeping needs and tax situation.

Yet when it comes to financial security matters, many of these same individuals turn to two or more financial security advisors or institutions.

Having a number of accounts at several financial institutions may make it challenging to get a comprehensive view of your overall financial security picture.

Consolidating those assets with one trusted financial security advisor who knows and understands your needs can help bring focus and clarity to your financial security plan.

Provides a comprehensive view

Having a single financial security professional can help you get a comprehensive snapshot of your overall financial security picture. In addition, one financial security professional will:

- Better understand your investments as a whole
- Be in a better position to give you advice on how your holdings fit with all your goals
- Be better able to provide recommendations appropriate for you
- Give you consistent information and advice

Helps manage risk

By working with a single financial security advisor, you're dealing with someone who knows and understands where you are today and where you see yourself in the future. He or she is in a better position to make sure your portfolio is adjusted to reflect your changing needs and risk tolerance over time.

Simplifies your life

Consolidation also makes it easier to follow your investments, keep your portfolio on track to meet your goals and objectives, and adjust your portfolio when if your personal circumstances change. In addition, if you're receiving an income, the funds come from one source.

Finally, your lawyer or accountant will also find it easier to work with one financial security advisor on overlapping matters, such as estate planning.

Bring your financial security picture into focus today

Contact us today about ways you can bring your financial security picture into focus by consolidating your assets.

Maximize your RRSP contributions with an RRSP loan

Contributing to a registered retirement savings plan (RRSP) is one of the best ways to save for retirement. But many Canadians don't have the cash flow to make the most of their RRSP contributions.

Taking an RRSP loan can help you maximize your annual contribution or catch up on unused RRSP contribution room. It means putting more money to work now in an effort to help grow your savings for the future.

Let's say you make a regular lump sum RRSP contribution of $5,000 and expect your contribution will produce a tax refund. These three scenarios show how an RRSP loan can maximize your contributions:

Scenario one – Contribute what you've already planned

In this scenario, you would contribute each year without taking a loan – in this case, assuming a 39 percent marginal tax rate, a $5,000 contribution would create a tax refund of $1,919.

Scenario two – Accelerate your contribution

With an accelerated contribution, you take out a loan equal to the tax refund you'd receive in the first scenario and add it to your regular RRSP contribution of $5,000. In this example, you would contribute a total of $6,919 to your RRSP. This increases your contribution which then gives you a higher tax refund and increases your retirement savings.

When you receive your refund, you could use it to pay off the loan and still have some left to spend however you want. The direct cost to you is minimal – a few months of interest on the loan.

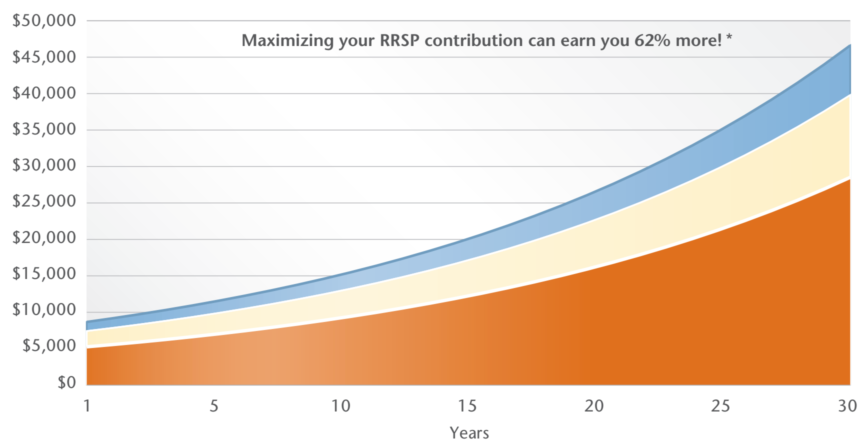
Scenario three – Maximize your contribution

This strategy creates the greatest opportunity for your RRSP growth. In this case, you'd borrow what you expect would be your tax refund from your total RRSP contribution plus the additional refund generated by the loan amount.

You'd then use your tax refund to repay the loan. Again, the direct cost to you would be few months of interest on the loan.

Choose the option right for you

An RRSP loan helps take your RRSP contributions to the next level at little cost to you – you can see the difference in value over 10, 20 and 30 years. Take advantage of our expertise and planning tools to help make an informed decision about which option works best for you.



	RRSP value		
	10 years	20 years	30 years
Maximized contribution	$14,529	$26,019	$46,597
Accelerated contribution	$12,390	$22,189	$39,736
Planned contribution	$8,954	$16,036	$28,717

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*Assumes a six per cent rate of growth, an annual earned income of $60,000 and a 38.37 per cent marginal tax rate. For illustrative purposes only.

While borrowing to invest can be a powerful means to build wealth, the risks involved make it a strategy that is not suitable for everyone. Your financial security advisor can help you determine if borrowing to invest is a strategy that is right for you.

Leveraging magnifies gains or losses. It is important that you understand a leveraged purchase may involve a greater risk than a purchase using cash resources only.

Protect your retirement plans from the impact of a critical illness

Have you considered the impact of having to dip into your retirement savings? The cost of using RRSPs to cover expenses of an unexpected illness could result in the need to work longer or retire with less money than planned. Despite this, many Canadians don't have an adequate plan for the unexpected.

In an Ipsos Reid survey*, 52 per cent of respondents indicated they would dip into retirement savings if faced with a major illness.

Critical illness insurance can help keep your retirement saving on track if you are diagnosed with a condition such as a heart attack, stroke or life-threatening cancer.

If you have critical illness insurance and satisfy the survival period, the benefit you receive can help pay those expenses, meaning you are less likely to have to dip into your existing registered retirement savings plan (RRSP) to help cover costs.

Consider this example

John is a 38-year-old male with annual earnings of $90,000. If he were to remain healthy until age 65, he could retire with more than $673,000 in an RRSP. But John suffers a life-threatening cancer at age 52. Since he has no critical illness protection he needs money to cover daily living expenses and medical expenses and/or treatments not covered though his provincial healthcare plan. He withdraws $200,000 from his RRSP to pay these bills. To maintain his goal of retiring at of 65 years with the original RRSP amount, he would have to triple his RRSP contribution from the time of his diagnosis or retire with less than $275,000, considerably less than planned.

However, if John invests slightly less each month in his RRSP, and puts the difference toward a premium on a $110,000 critical illness insurance policy with a return-of-premium rider, his retirement plans can stay on track in the event of a critical illness. In this scenario, if John remains healthy until the age of 65, he can retire with more than $626,000 in his RRSP, plus, be eligible for a return of premium of $43,751 for a total of nearly $670,000 for use in retirement.

Regardless of whether John suffers a critical illness, using some of his monthly contribution toward funding a critical illness with a return-of-premium rider can help protect his savings.

Most people never prepare for a critical illness

Deciding to include critical illness insurance in your financial security plan can be an important way to reduce financial risk and help protect your savings. By using a portion of your planned RRSP contributions to fund critical illness insurance, you can help protect your savings and keep your retirement plans on track.

I can help you tailor your coverage by discussing the various options available to you. Contact us today to meet and put plans in place to reduce your financial risk and help safeguard your retirement if you suffer a critical illness.

*"Retirement plans threatened by disability", Advisor.ca

Choose conventional mortgages: they're cheaper with fewer hassles

Today, some financial institutions offer collateral mortgages instead of conventional mortgages for new home loans. It's important to understand the differences between the two because the type of mortgage you choose can have lasting implications for your financial security plan.

Conventional mortgage

A conventional mortgage is registered against a property – usually the loan is secured by your house. Also, your property's value determines how much you can borrow. With a conventional mortgage, if you make your payments on time you can renew your mortgage and after a period of time, pay off the balance. Under normal circumstances, the principal balance on a conventional mortgage goes only one way – down.

Collateral mortgage

A collateral mortgage is a loan backed by a promissory note, which in turn is backed by security – a mortgage against your property. This allows you to receive new funds without refinancing your mortgage thus saving on administrative and legal charges. In some cases, a collateral mortgage can total as much as 125 per cent of a property's value.

Collateral mortgages more costly

If you want to refinance, you can benefit from a collateral mortgage. However, collateral mortgages can be a problem at renewal time. If you have a collateral mortgage and you decide to transfer your mortgage, you could face numerous fees to transfer the mortgage to another lender. You'll need to discharge your current mortgage and register a new mortgage, which generally involves substantial costs. With a conventional mortgage, many lenders allow you to switch it to another lender for little to no cost.

Selling a home with a collateral mortgage can also be painful. What if you've borrowed more than the value of your home? For example, your home is worth $200,000 and a few years later you sell it for $224,000. However, your collateral mortgage is worth $250,000. This situation can create a shortfall. Will your financial institution provide you with a loan to cover the difference without the backing of the property? Maxing out your lending amount, could put you in this situation.

The financial institution may also change the collateral loan's interest rate if you miss a payment. Collateral loans also allow lenders to seize the equity in your home above the mortgage balance to collect on a loan in default.

If you miss a payment with a conventional mortgage, there are standard procedures for catching up on the missed payment.

While competition among lenders provides you with choice, collateral mortgages could be seen as an attempt by lenders to keep you for life. It's important you ask the right questions and, in this case, you should ask, "Am I getting a conventional mortgage?"

Tax rules and interpretations subject to change.

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.

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