

The Most Difficult Claim I Have Ever Delivered...

by Gary Kwasnecha

The most difficult life insurance claim I have ever delivered was my father's, however in the end it was very rewarding. In 1977, I entered the life insurance business. Some of you will remember my "sales approach" was to structure life insurance policies for a \$25,000, \$50,000 or \$100,000 death benefit. I was encouraged to call my friends, my family and anyone I knew that might be interested in a "forced savings plan." I was also encouraged to sell term or temporary life insurance, usually \$100,000, \$250,000, or even as high as \$500,000. Most policies sold were between \$50,000 and \$250,000, typically enough to pay off the mortgage and replace 10 years of income for the survivor.

In 1994, I structured a \$100,000 life insurance policy for my father. The life insurance policy's purpose was to provide income for my mom after my Dad's passing. On Dad's death his Old Age Security would end and both his Canada Pension Plan and his Ipsco Pension would be reduced). A \$100,000 tax-free life insurance policy would provide \$8,000 to \$10,000 per year at 8%, 9% and 10% respectively. Who would have guessed that interest rates would slide from the 1981 high of 22% to today's best 5 year rate of 4%?

My father, Peter, passed away in his 81st year on May 24, 2009. Within the next few weeks I spent time with my mother simply trying to provide comfort, deal with the funeral home and all of the costs related to his memorial service. We completed the life insurance forms one Monday morning and I can vividly recall the tears that welled in my mother's eyes and the ones which literally dripped off of my chin. During my 31 years in the insurance and financial business, I have delivered \$10,800,000 in tax-free death benefits, and I have yet to have anyone send back a death benefit saying it was "too much." My dad's \$100,000 life insurance policy would now bring that total to \$10,900,000. - "Wow"... Despite the positive outcome of the policy I can assure you the toughest check for me to deliver was to my mom.



Peter Kwasnecha

I share this very personal story with you because this \$100,000 has made a significant difference for my mom. She had money to pay funeral and food costs for the memorial service. She made donations to Dad's favorite charities and foundations, and she has enough left over to join my sister on a trip to Halifax, knowing that her financial situation is secure despite Dad's death. So to all of our clients, friends and relatives who sometimes feel you pay too much for life insurance, some day, you too will experience and understand the process I have gone through seeing the huge benefit and comfort Dad's gift of life insurance has brought to my mother.

"Thanks Dad"

Offered with the permission of Joan Kwasnecha

What Our Clients Are Saying...

Give Yourself the Gift of Peace of Mind

My husband was in the insurance/financial business and we have been fortunate to call Gary and Myrna Kwasnecha our friends for almost 30 years. When Jerry was dying and we finally had to have that dreaded conversation about "what happens after..." there was no hesitation when Jerry said, of the hundreds of work colleagues he knew, he wanted Gary and Financial Services Group to handle his estate.

I was amazed at the amount of "business" that needs to be done after the death of a spouse and our situation was more complex than most. We were living in Kelowna and had just lost our home and everything we owned in the forest fires of 2003, when Jerry was diagnosed with advanced cancer. He was gone in just 10 weeks, leaving me with the sale of his insurance business, the fire insurance claim to settle and the sale of that property. Through all these "extras" above and beyond the estate and investments, Gary was always just a phone call away for advice.

"peace of mind is the gift Financial Services Group has given me"

When we sat down to look at managing the investments, the first thing Gary wanted to know was how much risk I thought I could comfortably live with. Through careful product selection and by staggering maturity dates, he managed, even in the volatile market this past year, to protect much of my initial investment. Another technique Gary used that has taken a huge amount of stress from me, is payments from my investments to coincide with major household expenses, such as property and income taxes and car and home insurance premiums. He even put away what I needed for the new car which I am just now enjoying and a "travel allowance" since that was a luxury Jerry loved. Finally, when I decided to make a change in my life and return to school for 3 years, Gary even found the flexibility in my plan to allow me to do that.

It has been said, "A friend is a gift you give yourself," which has been more than true of the Kwasnecha family, and *Peace of Mind* is the gift Financial Services Group has given me.

Myrna Olearczyk
London, Ontario

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Estate & Tax PLANning Tips

The following topics represent some issues and concerns with regard to estate and tax PLANning. If you think any of these issues apply to you, or if you would like further information, simply call our office for an appointment to discuss your special PLANning needs.

- Rules and rates for RRSP and RRIF minimum annual withdrawals
- The cost of segregated funds
- An estate freeze
- Avoiding 'claw-backs' of your old age security
- Taking Canada Pension Plan early compared to later
- Should you consider a trust company or personal friend as executor?

Information At Your Fingertips

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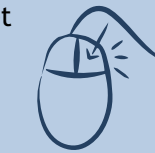


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We are excited to welcome our son Scott to the Financial Services Group team!

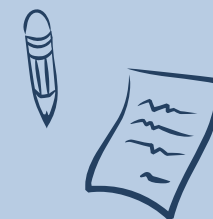
Office Hours

Monday through Thursday, 8:30 am to 4:30 pm

Financial Services Group supports a healthy family lifestyle. This Holiday Season we will be taking the opportunity to enjoy time with our families between **December 24th, 2009 and January 3rd, 2010**. Regular business hours will resume on January 4th, 2010. We thank you for your continued business and appreciate your ongoing support.

Important Dates

RRSP Contribution Deadline for 2009 Tax Year
T4RIF/T4RSP slips
T5 slips
T3 slips



March 1, 2010
Mailed on or before February 28, 2010
Mailed after February 28, 2010
Prepared within first 90 days of fiscal year and then mailed no later than March 31, 2010

RRSP Information

RRSP limits for 2009 Tax Year
RRSP limits for 2010 Tax Year

\$21,000*
\$22,000*

* 2009 RRSP Limit is available on your 2008 Income Tax Assessment

* Note, December 31 of the year you turn 71 years of age is the last day you can contribute to your own RRSP.



INVESTMENT SERVICES INC.

Sue Hanson and Myrna Kwasnecha are account representatives of Manulife Securities Investment Services Inc., a mutual fund dealer. Any mutual fund inquiries, purchases, redemptions, fund switches or investment information should be directed to Sue or Myrna as they are licensed to accommodate all client requests. Insurance products and services are offered through Financial Services Group.

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FINANCIAL SERVICES GROUP



Gary & Myrna Kwasnecha

A Note From Gary: Distributing Your Estate

In this edition of PLAN, I have included very valuable information that will assist you to structure your estate PLAN. In his 2006 article titled Will Power, Tom Johnson of Johnson & Johnson Co. states "Though most of us are aware that we should have a will, the majority of us - about 70% do not have one!" I am sure we all understand that documents such as a Will, Enduring Power of Attorney, Directives Letter and Unanimous Shareholder Agreements (USA's) are essential. The estateplan need not be complicated or extensive, it should simply be. "Get it done!"

Consider **probate**, the application an executor must make to the Provincial Court in order to distribute the deceased's assets to beneficiaries in an orderly, timely and cost effective fashion. Johnson suggests that "the duties and obligations of trustees have changed dramatically over the years." Your will should be reviewed at least every two years to determine whether your will reflects these changes. Are you still satisfied with the powers given to your executors and trustees? Patrick Bell of Bell, Jacoe and Co. has written about the responsibility of an executor and the endless hours of work in preparing an application, identifying and notifying all interested parties of their portion of the estate.

How you structure your estate PLAN depends on what you want to accomplish. Each situation is unique. Your goals should include maximizing the value of your assets, providing for your loved ones and establishing guardians and trustees for minors or dependant children. Recently, we were involved in a situation where during the probate application process it was discovered that a 35 year old dependant child did not have a trustee. The deceased incorrectly assumed he did. Your estate PLAN should distribute your assets according to your wishes, and make sure your estate has sufficient liquid assets to pay taxes, liabilities and fees on your death. Depending on your asset mix, life insurance may be the least expensive and best alternative for liquidity. Be sure you have instructed your executor to consult with a tax advisor after your death so that certain "post mortem" tax reduction plans may be considered. Many executors are not familiar with the importance of a clearance certificate and the consequence of not holding adequate assets back to pay unexpected income tax, fees and penalties.

My advice, please do not fear the process and the challenge of creating your Estate PLAN - "A sound financial PLAN can add more to your net worth than a lifetime of work."

I hope you enjoy our summer 2009 newsletter.

"Assisting people to accumulate and protect their wealth since 1977"

Corporate Owned Life Insurance Saves You Money

Successful business owners PLAN for their success. At some time every business owner faces succession PLANNing. Can you answer the following questions about your business? What happens to the business on your death? Who will pay any outstanding long term and short term debts? How will the potential income tax liability be paid? How will the shareholder loans be recovered? I personally believe succession PLANNing is a critical part of any business owner's long-term financial strategy because in most situations "the business" will be the largest asset of his/her personal wealth. The time for succession PLANNing is now.



Life insurance is the best investment any business owner can make. Corporate-owned life insurance triggers significant tax savings to the business owner when alive, and conserves the value of the business for the successor. From a tax perspective, life insurance premiums are paid for by the corporation and are not tax deductible unless the life insurance is required as collateral for a loan and assuming specific criteria are met.

Consider the following example. A business owner has a life insurance policy with an annual premium of \$3,000. When owned personally, the business owner must earn \$4,918 of income (assuming a 39% income tax bracket). When owned by the business (CCPC - Canadian-Controlled Private Corporation) and not tax deductible, while utilizing the small-business deduction on the first \$500,000 of active business income, the corporate tax rate is approximately 20% or less depending on the province in Canada. Therefore, the corporation only needs to use \$3,750 of pre-tax income to generate after tax money to pay the \$3,000 life insurance policy premium. This results in an annual savings of \$1,168. In this example, the death benefit would be paid to shareholders out of the corporation utilizing the capital dividend account - "tax-free."

Paying less is a good thing. Tax-free life insurance to conserve wealth is a great investment. Succession PLANNing is all about "peace of mind", for the business owner and family.

Determining Net Worth For Estate Distribution on Last Death

Knowing your personal net worth and what that means for your estate planning needs is vital to your peace of mind. It is important to keep a record of your personal Net Worth and update it annually or when a life change occurs. Your Net Worth is simply the difference between what you own (assets) and what you owe (liabilities). It gives you a picture of your financial health at a specific point in time. Completing the net worth statement on at least an annual basis will help you measure your progress towards achieving your goals.

When you are preparing your "inventory" of assets and liabilities, be sure to include your home and vacation property, the value of your business, registered and non-registered investments, bank accounts, the face value of annuities and insurance policies, personal property such as cars, jewelry, art, etc., pension assets (i.e. Membership in a company pension plan) and the current value of any business you own. Note, not all assets are "income producing," however these assets will eventually be listed on the probate application, so why not now? Liabilities that you should list in your inventory include the mortgage on your home and vacation property, investment-related debt, credit cards and any other personal obligations such as family support.

On the following page, we have illustrated what your net worth statement might look like while alive and on the last death.



Net Worth for Estate Distribution

LIVING NET WORTH					
Assets		Mr. Client	Mrs. Client	Joint	Total
RRSP/RRIF	GICs	\$140,105	-	-	\$140,105
	Investment Funds	\$65,789	\$215,652	-	\$281,441
	Segregated Funds*	-	-	-	-
LIRA/LIF	GICs	-	-	-	-
	Investment Funds	-	-	-	-
	Segregated Funds*	-	-	-	-
RESP	GICs	-	-	-	-
	Investment Funds	-	-	-	-
Non-Registered	GICs	\$6,751	-	\$200,000	\$206,751
	Investment Funds	-	-	-	-
	Segregated Funds*	-	-	-	-
Company	GICs/Savings	-	\$150,000	-	-
	Investment Funds	-	-	-	-
Life Insurance Cash Value		\$4,200	\$3,500	\$11,900	\$19,600
Other Assets (Vacation Home-adjusted cost base of \$120,000)		-	-	\$345,000	\$345,000
Home		-	-	\$500,000	\$500,000
Contents/Toys		-	-	\$50,000	\$50,000
Subtotal		\$216,665	\$369,152	\$1,131,900	\$1,542,897
Less Liabilities (mortgage on vacation home)		-	-	-	(\$200,000)
NET WORTH					\$1,342,897

* Segregated Fund Assets are based on Guarantee Values at maturity or on death (less any withdrawals or income payments)

NET WORTH ON LAST DEATH		
Net Worth		\$1,342,897
Less 39% tax on registered investments (estimated value)		(\$86,403)
Less 39% tax on other assets (estimated value)		(\$43,875)
Last expenses, fees & income tax		(\$20,000)
Net worth value after tax		\$1,192,619
Plus, total life insurance		
Face value		\$450,000
Less cash value		(\$19,600)
Total life Insurance		\$430,400
NET WORTH FOR ESTATE DISTRIBUTION ON LAST DEATH		\$1,623,019

In this world nothing can be said to be certain, except death and taxes.

- Benjamin Franklin

Life Insurance Proceeds "Tax-Free"

A key PLANNing feature of life insurance is a policyholder's ability to direct proceeds to a beneficiary outside of the deceased's estate. A joint-last-to-die life insurance policy has become very popular as the costs are based on two lives and therefore the policy is less expensive than the "old way" of insuring each person individually to accomplish the goals of the Estate PLAN.

Illustrated below is a sample of what a Break-Even Analysis might look like.

Estate Conservation/Enhancement Plan

Tax-Free Life Insurance Joint-Last-to-Die: Break-Even Analysis

* Notes:

A) Two 60 year-olds purchase \$100,000 joint-last-to-die life insurance, specifically to pay income tax due on unused RRSP's in the last to die estate

B) Self-insure and invest the \$2,116.00 per year premium in a 4.0% GIC

* Premiums are payable to first death

Year	Mr. Clients Age	Rate, after tax	Premium	Interest	Alternative Investment (B)*	Life Insurance (A)*	Estate Enhancement
2009	60	2.44%	\$2,116.00	\$51.63	\$2,167.63	\$100,000.00	\$97,832.37
2010	61	2.44%	\$2,116.00	\$52.89	\$4,336.52	\$100,000.00	\$95,663.48
2011	62	2.44%	\$2,116.00	\$105.81	\$6,558.33	\$100,000.00	\$93,441.67
2012	63	2.44%	\$2,116.00	\$160.02	\$8,834.35	\$100,000.00	\$91,165.65
2013	64	2.44%	\$2,116.00	\$215.56	\$11,165.91	\$100,000.00	\$88,834.09
2014	65	2.44%	\$2,116.00	\$272.45	\$13,554.36	\$100,000.00	\$86,445.64
2015	66	2.44%	\$2,116.00	\$330.73	\$16,001.09	\$100,000.00	\$83,998.91
2016	67	2.44%	\$2,116.00	\$390.43	\$18,507.51	\$100,000.00	\$81,492.49
2017	68	2.44%	\$2,116.00	\$451.58	\$21,075.10	\$100,000.00	\$78,924.90
2018	69	2.44%	\$2,116.00	\$514.23	\$23,705.33	\$100,000.00	\$76,294.67
2019	70	2.44%	\$2,116.00	\$578.41	\$26,399.74	\$100,000.00	\$73,600.26
2020	71	2.44%	\$2,116.00	\$644.15	\$29,159.89	\$100,000.00	\$70,840.11
2021	72	2.44%	\$2,116.00	\$711.50	\$31,987.40	\$100,000.00	\$68,012.60
2022	73	2.44%	\$2,116.00	\$780.49	\$34,883.89	\$100,000.00	\$65,116.11
2023	74	2.44%	\$2,116.00	\$851.17	\$37,851.05	\$100,000.00	\$62,148.95
2024	75	2.44%	\$2,116.00	\$923.57	\$40,890.62	\$100,000.00	\$59,109.38
2025	76	2.44%	\$2,116.00	\$997.73	\$44,004.35	\$100,000.00	\$55,995.65
2026	77	2.44%	\$2,116.00	\$1,073.71	\$47,194.06	\$100,000.00	\$52,805.94
2027	78	2.44%	\$2,116.00	\$1,151.54	\$50,461.59	\$100,000.00	\$49,538.41
2028	79	2.44%	\$2,116.00	\$1,231.26	\$53,808.86	\$100,000.00	\$46,191.14
2029	80	2.44%	\$2,116.00	\$1,312.94	\$57,237.79	\$100,000.00	\$42,762.21
2030	81	2.44%	\$2,116.00	\$1,396.60	\$60,750.39	\$100,000.00	\$39,249.61
2031	82	2.44%	\$2,116.00	\$1,482.31	\$64,348.70	\$100,000.00	\$35,651.30
2032	83	2.44%	\$2,116.00	\$1,570.11	\$68,034.81	\$100,000.00	\$31,965.19
2033	84	2.44%	\$2,116.00	\$1,660.05	\$71,810.86	\$100,000.00	\$28,189.14
2034	85	2.44%	\$2,116.00	\$1,752.19	\$75,679.05	\$100,000.00	\$24,320.95
2035	86	2.44%	\$2,116.00	\$1,846.57	\$79,641.61	\$100,000.00	\$20,358.39
2036	87	2.44%	\$2,116.00	\$1,943.26	\$83,700.87	\$100,000.00	\$16,299.13
2037	88	2.44%	\$2,116.00	\$2,042.30	\$87,859.17	\$100,000.00	\$12,140.83
2038	89	2.44%	\$2,116.00	\$2,143.76	\$92,118.94	\$100,000.00	\$7,881.06
2039	90	2.44%	\$2,116.00	\$2,247.70	\$96,482.64	\$100,000.00	\$3,517.36
2040	91	2.44%	\$2,116.00	\$2,354.18	\$100,952.81	\$100,000.00	-\$952.81

Break-Even Point AGE 91