



BAICORP FINANCIAL INC. – QUARTERLY NEWSLETTER MAY 2004



DID YOU KNOW?

“NEW & EFFECTIVE JUNE 1, 2004” we will offer a Health Spending Account (HSA) program for our Group Benefit Clients. It can enhance your program while protecting your costs.

(2) A surviving spouse can elect to bypass the terms of a Will and elect the provisions under the Family Law Act of Ontario if he/she believes the Will is unfair to them.

(3) Baicorp Financial offers not only expertise in providing the most meaningful Group Benefit Programs, but also provides expertise in Pension Programs including Defined Benefit and Defined Contribution plans along with Individual Pension Planning and Group RRSP plans.

(4) For the executive and non-executive members of our Groups, we provide individual planning/counseling programs encompassing all manner of estate/financial/business planning.

(5) A non-arm's length transaction between family members and/or business associates can have negative income tax consequences if proper planning has not been made.

(6) Key Person Insurance is usually the most economical way of ensuring that your company does not suffer financially in the event of the death or disability of a key member of your team.

ESTATE CREATION AND PROTECTION

Estate Creation is essentially the process of acquiring assets for use later in life, primarily in retirement. With careful planning, one can accumulate assets in a tax-deferred and/or tax-advantaged manner, such as income splitting, the use of Trusts, RRSPs and other tax sheltering investments. In some cases, it might be more advantageous to pay income tax now for instance on certain investments, than in your retirement years.

Estate Protection concerns itself with ensuring that the assets one has accumulated will not be eroded in value in the event of such calamities as death, disability, a critical illness or even bankruptcy and to some extent, divorce and retirement. There are a number of ways of protecting our assets: (1) different forms of ownership such as joint holdings (tenants in common vs joint tenancy) or through the use of a corporation or Trust, for example; (2) for shareholders in a small, privately-held corporation through the use of Buy/Sell Agreements, Key Person Insurance and having a Business Succession plan; (3) insurance of many types, such as life, disability, critical illness, for both personal and business applications, home and auto, etc. The proper use of insurance products usually represents the most economical way of creating, protecting and preserving our estates and to some extent, offsetting the ravages of inflation.

PENSION PLANNING

For Defined Benefit Programs, the maximum pension one can receive under the Generally Accepted Guidelines for Pensions is based on the following formula: 2% times the final average earnings (average of the last 5 years for example) times the number of years of service or approximately 70% of pre-retirement earnings whichever is less. Executives with long service and being a member of such a plan in a large public corporation, benefit the most from these guidelines.

It was originally intended that RRSPs, when combined with CPP & OAS benefits, would provide the incorporated self-employed and private business owners/executives with pensions similar to those noted above in public companies. With the limits imposed on RRSPs over the years, those earning more than \$75,000 - \$80,000 are effectively being discriminated against as they do not have the same opportunity of amassing a pension in a tax-deferred environment.

There are ways however, for the business owner/executive to achieve the same pension levels as their counterparts in large public corporations through the proper use of: (a) Individual Pension Plan; (b) Retirement Compensation Agreement; (c) implementation of a Defined Benefit Plan at the company level. Which one represents the best choice? We need to talk! Don't get left behind! Use pre-tax dollars instead of after-tax dollars for the pension you deserve.