



NOVEMBER, 2004

## QUARTERLY NEWSLETTER

### DID YOU KNOW?

**New to our Product Line – GROUP RESP (Ed. Plan).** Additional information will be sent to you shortly

(1) The maximum contribution to an RRSP for 2004 has been increased to \$15,500 or 18% of earned income whichever is lesser. It increases to \$16,500 for 2005 and \$18,000 for 2006.

(2) Most comprehensive and least expensive way to fund Buy/Sell and Key Person plans within the Shareholder Agreement = Life Insurance, Disability Insurance and Critical Illness Insurance plans

#### What's New at Baicorp/BaiTrak?

In September of this year, Janice Sandor, HIA, joined our BaiTrak Benefit team as Supervisor and would be happy to assist you with your needs or concerns. You can reach Janice at 905-844-7955 or email: [janice@baicorp.ca](mailto:janice@baicorp.ca).

Effective November 29, Karen Backley, whom many of you may know, has rejoined our Baicorp/BaiTrak teams. You can reach her at 905-844-7955 or email: [karen@baicorp.ca](mailto:karen@baicorp.ca).

Darrin Johns, MBA, BMath, FLMI has recently joined Baicorp Financial Inc. as V.P. Corporate Benefits Solutions. Darrin has an extensive background in group consulting services with over 29 years experience with a major insurance carrier. Darrin may be reached at 905-844-8820 or email: [darrin@baicorp.ca](mailto:darrin@baicorp.ca).

### LIFE AND TERM ANNUITIES

There seems to be a general lack of understanding and mistrust considering this important financial planning tool. Why would one consider a life or term annuity?

- 1) Provides a guaranteed income for one's life or for a particular period of time, say between retirement and when income from a RRIF commences
- 2) Can be used as a testamentary trust to provide income for a beneficiary who would otherwise likely spend their inheritance unwisely in quick order (spendthrift trust)
- 3) Less stressful for some in that there is no reliance on the market place and its inherent uncertainties – you will always know what your income will be from year to year – much easier to plan vacations, expenditures, etc.
- 4) Can be ideally used in conjunction with other retirement income plans, such as a RRIF by providing for the known expenses such as household costs (mortgages, taxes, heat, insurance, food, etc.) thereby providing peace of mind that these costs are guaranteed to be covered while the RRIF income can be earmarked for vacations, new purchases of furniture, gift giving, hobbies, etc.
- 5) Very flexible in setting up to allow for a single or joint annuity where payment will continue in full or somewhat reduced, as long as one of the joint holders lives; payments can be guaranteed up to 30 years (depends upon age at time of purchase) where a named beneficiary would receive money for the balance of the guaranteed period should the holder die before the expiry of the guaranteed period

It is important to know that with the purchase of an annuity, one "sells" their money to an insurance company in return for a "guarantee" to pay a set amount for either life or a set period of time. Annuities can be either non-registered or registered and taxed accordingly. Please contact Ron Clarke at [ron@baicorp.ca](mailto:ron@baicorp.ca) for additional information.

### PENSION PLANNING UPDATE

A publication called **The Road Ahead: The Canadian Defined Contribution Plans Trend Report** was recently commissioned by Sun Life Financial and provides some excellent information on the DC landscape in Canada particularly in light of the Guidelines for Capital Accumulation Plans (CAPs) as noted in our August Newsletter. We wanted to bring a few points to your attention that could be interpreted as somewhat alarming:

- 1) *I am confident that our company DC plan will meet the retirement needs of plan members.* 46% agree; 17% neutral; 37% disagree
- 2) *What is your single greatest challenge with respect to your DC plan?* 48% member education/knowledge; 25% employee interest/participation; 9% communication; 3% time spent on plan; 3% fund returns
- 3) *How familiar are you with the recently published JointForum of Financial Market Regulator guidelines for CAPs?* 25% very familiar; 36% somewhat familiar; 20% not very familiar; 18% not at all familiar

Please contact James Timms at [james@baicorp.ca](mailto:james@baicorp.ca) for additional information