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Canfin Financial Group, Client Services Dept.

680 Rexdale Blvd., Suite 26,
Toronto, ON M9W 0B5

For immediate service, contact your Canfin Advisor or,
Tel. 1-877-4-CANFIN
Fax. 905-829-0052
email: clientservices@canfin.com
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Insuring For Capital Gains Tax Liabilities **KEEPING THE HOME FIRES BURNING**

If you own a private company, you may find that talking about your estate is as difficult as planning it. The Canadian Association of Family Enterprises (CAFE) indicates that 95% of businesses do not even have a succession plan in place. Perhaps that is why 90% of businesses do not survive a transition to the third generation, while only 70% survive to the second.

Planning the succession of a family-owned business may make it possible to provide for several children, even if only one of them is competent to take over the business. Alternatively, you may feel that the family should simply sell the business. Whether it is sold or transferred to a child, there may be a large income tax bill on capital gains if your company has grown substantially. Consider taking out enough life insurance to cover any taxes due on the capital gain of your

interest in the business. The insurance proceeds are paid at precisely the time cash is needed for a smooth transition. If you want to keep the business in the family, you can also take out enough life insurance on yourself to equalize your estate, paying a benefit to children who will not be active in the business.

Stress can stifle our business creativity and drain personal lives of enjoyment.

Try to be organized and retain a sense of perspective when juggling the demands of office and family.

If you work from home, declare your business space “off limits” to your kids. Work in the early mornings or late evenings so you have family time to enjoy. Set up routine family events—swimming, skating and so on—and don’t let work intrude. Exercise regularly—a minimum of 20 minutes three times a week.

Be disciplined and don’t over-commit your time. Set priorities. Make to-do lists. Book appointments with yourself so you can prepare for important meetings. Don’t procrastinate.

Avoid frustration by delegating unpleasant tasks.

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Increase YOUR HOME & BUSINESS SECURITY

Increasingly a new crime is emerging in the USA (and is showing up in Canada) where your very identity is at stake. Thieves will rummage through your household garbage as well as business dumpsters as they search for information, which would enable the successful reconstruction of your identity. Once thieves obtain your credit profile: your date of birth, social insurance number, employment history (or business financials), income, and assets owned, they begin to order credit cards and charge them to the hilt. They purchase cars, clothing, and every imaginable luxury, including posh travel as they escape. How can you prevent this from happening?

- Purchase a shredder for as little as \$50, and shred all your documents including all copies of credit applications you ever filled in; do not dispose of them in any garbage bin.
- If you keep hardcopy financial information, use a safe or a safety deposit box.
- Do not fax important financial information to merely anyone.
- Do not keep all your financial specs in a word processing document on a computer unless it is password protected. Computers are being stolen for the purpose of identity theft.
- Tighten the security of your household or business office where important documents are stored:
 - Activate lights by using electronic timers, especially if you will be out late or away.
 - Hire a locksmith to reinforce your door frames and doors with metal and add deadbolts.
 - Add interior locks to windows.
 - Add metal or wooden rods behind sliding doors.
- Consider installing a security system with a direct link to the police. Ensure your voice mail or answering machine does not say you have gone away. Add peepholes to your doors so you need not open them when the doorbell rings or you hear a knock.

- Trim shrubs and hedges that could double as cover for thieves.
- Use a garage door opener to create a safer space prior to going out and after returning.

Bridging THE FINANCIAL GAP

Planning to protect your family's financial well-being, is equally important as planning to accumulate wealth. Failure to consider the loss of income as a result of death or disability could jeopardize your financial goals. For most people between the ages of 20 and 40, assets owned are only slightly higher than the debts that secure them. Your mortgage may nearly equal the value of your house. Estimate the capital required for paying off debts, and to provide an income for a surviving family. Life insurance can bridge that financial gap by covering the capital need. Life insurance requirements may decrease as you approach age 50 provided you accumulate sufficient investment assets. Your children may be out of the nest. You may have more equity in your home, or it may be paid off. You may have accumulated assets such as RRSPs or RRIFs, pensions, annuities and retirement savings.

Note: Life insurance can provide a tax-free benefit equivalent to income taxes due on RRSPs/RRIFs. This would help deliver the equivalent amount of pre-tax RRSP/RRIF funds to your heirs.

Review your life insurance every three years as your requirements change. Include a review of your disability insurance as well. Employment income would stop if you became disabled and could not work. Disability insurance replaces income, bridging the gap when there is no paycheque.

