NAKAMUN
ADVISOR
AN INFORMATION SERVICE OF THE NAKAMUN FINANCIAL GROUP

FALL 06

OPTIMIZING YOUR BENEFITS PLAN FOR YOUR EMPLOYEES

By Shauna Blackburn-Cook, BCom, The Nakamun Group, Edmonton

BENEFITS PLANS are an integral component of employee compensation packages, particularly during times of high employment. As an employer, your benefits plan communicates two important messages to your employees:

1. We care about your health and wellbeing
2. We are working to maximize your after-tax earnings now and in the future

TYPICAL BENEFITS PLANS

While employee benefits plans vary extensively in scope, typically they might include:

- Life insurance for the employee
- Life insurance for the employee's dependents
- Accidental death and dismemberment insurance
- Short term disability
- Long term disability
- Extended health benefits
- Dental benefits

One distinct advantage of these benefits over wages or salary is that the employee doesn't pay income tax on the benefits.

Some companies include other benefits such as group retirement or pension plans that offer employees deferred or tax-sheltered savings plans and provide the employer with an opportunity to increase compensation without the added costs of EI, CPP, and WCB contributions in some cases.

As an employer, your employee benefits plan is a significant investment in your business — to help attract quality employees, retain them, and maintain a healthy workforce. As with any other investment, you should do whatever you can to optimize the value of your benefits plan.

DEVELOPING AND MAINTAINING YOUR PLAN

Your employee benefits plan should be custom-designed to meet the specific needs of your business and your employees. At least once a year, you should review the plan to ensure the needs of your organization are still being met, your plan is competitive with others in your

continued on page 3...

SUCCESSFUL RETIREMENT
REQUIRES YEARS OF PLANNING

By Floyd Murphy, CFP, CLU, CHFC, The Nakamun Group, Vancouver
Garry Keiller, The Nakamun Group, Edmonton

TO RETIRE COMFORTABLY, CONFIDENT THAT you will be able to meet your financial obligations for the rest of your life, requires advance planning, saving, and effective management of your finances. The process takes many years. The following components must be considered and managed for financial independence in retirement to be achieved:

1. No scheduled payments — by the time you retire, your mortgage and all outstanding debts should be paid, and your children should be financially independent
2. Income guaranteed and indexed for inflation for basic monthly expenses for the duration of your life — these expenses include property taxes, condominium fees, utilities, food, and clothing. Typically, if there are no mortgage or debt payments and children are financially independent, these basic monthly expenses range between $1,500 and $2,500
3. Additional income for discretionary spending such as travel — in the initial years of retirement, discretionary funds are for lifestyle and enjoyment, while in later years, these funds might be necessary for health care
4. Funds for lump-sum costs, in some cases, unexpected — such as replacement of your vehicle, major repairs on your house, or a special assessment on your condominium
5. Financial resources that provide you with balance and flexibility — to enable you to alter your income if necessary at any point during the rest of your life

These five components will give you an indication of the type of planning necessary to prepare for your retirement. In future articles, we will go into further depth on each of these components. In the meantime, if you need more immediate assistance, check our website, www.nakamun.com or call your Nakamun advisor.

FINANCIAL PLANNING
FOR YOUNG ADULTS

By R.A. (Bob) Challis, CFP, RHU, TEP, The Nakamun Group, Winnipeg

WHEN YOU'RE IN YOUR EARLY adult years — 20 to 30 years old — probably the furthest concern from your mind is financial planning. That's something parents and grandparents do! As you start your working lives, you're more interested in repaying student loans, organizing your own place to live and acquiring household furnishings and other necessities for your home, and buying that first car. There's little enough money to cover these priorities. Yet, this is exactly the time when financial planning should start.

Too soon, additional financial obligations and responsibilities enter the mix — mortgage payments, dependents, education savings for children, and retirement savings.

Without effective financial planning, the burden could seem, or in fact become, insurmountable.

ROLE OF FINANCIAL PLANNER

In these early adult years, perhaps the most important role of a qualified

continued on page 3...

...continued from page 1 – Optimizing your Benefits Plan for your Employees

industry, and you are taking advantage of any applicable new tax legislation or new products on the market.

Your plan administrator plays a key role in ensuring that your employees are accurately registered in the plan and understand the benefits; the plan is kept up-to-date as employees' circumstances change; and your organization's interests are protected.

BENEFITS PLAN ADVISOR

Your Nakamun Advisor can help you to design and develop, implement, and maintain your employee benefits plan to optimize the value for your employees and your organization. For example, we can help you to:

- Provide the most tax-effective compensation for your employees using strategies such as —
  - o Structuring the cost-sharing arrangement between your organization and employees to take every advantage of tax benefits — for example, if the employee pays the premiums on long-term disability insurance, the benefit is received tax-free. If the employer pays the premiums on provincial health care insurance and/or life insurance, the cost of the premium is a taxable benefit. Therefore, the employee's portion of the plan costs should be allocated to these premiums first
  - o Customizing the plan for your employees when appropriate — for example, if taxes virtually nullify a pay increase, perhaps changing the benefit plan would be more advantageous for your employees
- Train plan administrators — so they understand and complete the requirements of the enrolment process, keep the plan updated as changes occur, communicate effectively with employees regarding their benefits — not only to ensure the employees are eligible for the benefits to which they are entitled, but also to limit the employer's potential liability
- Assist with employee communication regarding their benefits — through updates, employee information sessions, or the employee handbook that clearly details all the components of the plan, the benefits available to the employees, the limits, and the claims procedures
- Provide employees with on-going useful information about their plan — for example, ways to save the plan money by reducing dispensing fees of prescriptions, conversion options for life insurance, explanations of changes to the plan, opting-out procedures

CONTACT YOUR NAKAMUN ADVISOR

If your organization is starting an employee benefits plan or reviewing an existing one, please call your Nakamun Advisor to ensure you achieve optimum value of the plan for both your organization and your employees.

TO DO BEFORE THE END OF THE YEAR

The following is a checklist of reminders for the last quarter of this year. Before December 31, please remember to:

- ❑ make contributions to Registered Education Savings Plans
- ❑ if you are turning 69 years of age this year, make your last contribution to your Registered Retirement Savings Plan and switch assets into a Registered Retirement Income Fund or annuity
- ❑ if you are planning to open a new Individual Pension Plan, complete the documentation to ensure your contributions are deductible in 2006
- ❑ if you are planning to spend the winter in a warmer climate, arrange for out-of-province medical insurance

...continued from page 2 – Financial Planning for Young Adults

financial planner is to help sort out the "wants" from the critical "needs". Financial priorities that can be managed within the available resources can be identified and a plan to meet those priorities developed.

A financial planner can help to:

- Develop a spending plan (perhaps a more palatable term than a budget)
- Identify tools to prudently manage credit
- Develop effective savings strategies
- Discuss and implement effective investment strategies
- Explain ways to minimize current and long-term income tax
- Explain and implement methods to replace lost or unearned income
- Start a basic estate plan

Creating or managing wealth through financial planning techniques is not only for parents and grandparents. Once you are earning a regular income, you could benefit from having an effective financial plan.

If your Nakamun Advisor can help you or someone you know with financial planning, please call.

DUTIES
OF AN EXECUTOR

- ❑ Assist family members to make final arrangements for the deceased — including funeral, cremation, reception
- ❑ Arrange for death certificate and locate birth, and if applicable, marriage certificates
- ❑ Identify key assets such as real estate, vehicles, and personal effects; make sure these assets are secure and insured
- ❑ Arrange to receive deceased's mail
- ❑ Contact credit card companies to cancel the deceased's cards
- ❑ Contact Services Canada to stop CPP and OAS payments
- ❑ Advise pension or insurance companies to stop annuity payments and to provide you with details of survivor benefits
- ❑ Identify financial assets/investments, obtain values as of the date of death, and confirm ownership
- ❑ Locate life insurance policies and ask insurer to provide you with details of beneficiaries and requirements to settle claims
- ❑ If the deceased was employed, contact employer to confirm any insurance or pension benefits and request forms to settle claims
- ❑ Review assets to determine if probate will be necessary — decide whether you will require assistance from a lawyer, accountant, or financial planner
- ❑ Identify outstanding bills and arrange for payment
- ❑ Work with beneficiaries to complete insurance claims, RRSP/RRIF/Pension transfers, and joint ownership changes
- ❑ If probate is needed, prepare documents for the appropriate probate court, file these documents, and pay required fees
- ❑ Arrange for tax returns to be completed and outstanding taxes to be paid
- ❑ Review estate assets to determine those to be transferred "in kind" and those to be sold — arrange for the sale of appropriate assets
- ❑ After paying all bills, probate fees, and taxes, arrange for remaining assets to be distributed to the appropriate beneficiaries

If you've agreed to be an executor for a relative or friend, or have asked a relative or friend to be your executor, the adjacent is a list of duties — some may not be applicable — and an approximate order in which these duties should be tackled:

ALL THIS TAKES TIME

Settlement of an estate takes time, particularly when probate is needed and/or beneficiaries are other than the deceased's spouse. The process can take six months, a year, or longer. Early in the discussions, be sure to inform the beneficiaries of the timeframes.

KEEP THIS CHECKLIST ☑

When the time comes for an executor to step into the role, this list will be a valuable tool. We suggest you file a copy of this checklist with your documents for your executor, or for yourself, if you are an executor.