



NAKAMUN

# ADVISOR

AN INFORMATION SERVICE OF THE NAKAMUN FINANCIAL GROUP

SUMMER  
05

## CURRENCY FLUCTUATIONS MAKE A DIFFERENCE

By Garry Keiller, The Nakamun Group, Edmonton

**T**HE VALUE of the Canadian dollar relative to the currency of another country is relevant if you are purchasing anything in that country with your hard-earned Canadian money. Whether you are traveling in a foreign country and buying goods and services along the way or you are purchasing a foreign investment, be aware that the currency exchange rate does affect the value in Canadian dollars.



### LIKE BUYING A CUP OF COFFEE


**A** simple example is buying a cup of coffee in the United States. If you went to your bank and spent \$1.30 Cdn to purchase \$1.00 US and a cup of coffee in Palm Springs costs you \$1.00, in fact that caffeine hit costs you \$1.30. If on the other hand, you exchanged \$1.20 Cdn for \$1.00 US, that same cup of coffee costs you \$1.20. The difference in this example is just a dime, but consider an investment that costs \$100,000 US — using the same exchange rates, the difference would be \$10,000. That is significant.

### ONE PERSON'S GAIN ...

**I**f the US dollar weakens relative to our Canadian dollar, travel in the US becomes less expensive for Canadians. That's good news. However, at the same time, if you are a Canadian company that exports to the US, your goods and services become more expensive for Americans. That's not good news. If you own property in Arizona, your investment loses value when expressed in Canadian dollars. Again, that's not good news.

If you are considering a US or other foreign investment, currency fluctuations add another level of volatility. In the mid-1970s the US and Canadian dollars were almost on par with each other. In the early-2000s, the US dollar strengthened to the point where our Canadian dollar was worth as little as 60 cents US. That's a huge difference. If you had purchased a condominium in Arizona in the mid-1970s and held onto it until a year or two ago, even if the property value remained exactly the same, you would have gained 40 percent just in the exchange rate.

### KEEP IN MIND ...

**W**hen you invest in the US or any other foreign country, keep in mind that the currency exchange can have a significant effect on enhancing or reducing the value of your investment. 

# RESP WITHDRAWALS

By Greg Farries, BSc, The Nakamun Group, Calgary

**I**F YOU HAVE BEEN CONTRIBUTING to a Registered Education Savings Plan (RESP) for your child, grandchild, or somebody else who is about to attend a post-secondary education facility, give yourself enough time to collect and submit the information required to arrange a withdrawal.

## TYPES OF RESP WITHDRAWALS

You can apply for two types of withdrawals for the beneficiary of the RESP:

### 1. EDUCATIONAL ASSISTANCE PAYMENTS (EAP)

These consist of income earned on the contributions made to the RESP and any Canada Education Savings Grants (CESGs) that have been contributed by the federal government over the years. The student will pay income tax on EAPs. There are limits to the EAP amounts that can be withdrawn at a given time.

### 2. CONTRIBUTION AMOUNTS

These are the contributions you have made over the years to the RESP. This portion of the RESP can be withdrawn in any amounts at any time and is not subject to income tax because you made the contributions with after-tax dollars.

## QUALIFYING FOR RESP WITHDRAWALS

**T**o qualify for RESP withdrawals, your beneficiary must provide proof of current, full-time (or part-time for an individual with a disability) enrolment at an eligible post-secondary institution. Eligible institutions include Canadian universities, community colleges, technical schools and certain universities outside Canada. Please check with your Nakamun advisor if you are uncertain whether or not an institution qualifies.



The following information about the educational institution and your beneficiary's program will be required:

- Type of post-secondary institution (university, college, etc.)
- Institution's name and address
- Academic year start date
- Name of program
- Length of program (in years)
- Length of academic year (in weeks)
- Current year in which your student is enrolled (first, second, etc.)

The post-secondary institution will typically provide this information on a standard "proof of enrolment" form on their letterhead.

RESP withdrawals can be used for any expenses related to your beneficiary's post-secondary education. These expenses can include tuition, books, living costs, and transportation. The student will not be required to submit receipts for expenditures.

## IF YOUR BENEFICIARY CHOOSES NOT TO PURSUE POST-SECONDARY SCHOOL

**A**n RESP has a life of 25 years — the account must be closed by the end of the 25th year after the RESP was opened. Contributions can be made for only 21 of those 25 years.

If you have designated a sole beneficiary of an RESP that is nearing the end of its life, and your beneficiary is definitely not going to pursue a post-secondary education, you have a couple of options:

- Name a new beneficiary — if Canada Education Savings Grant (CESG) funds are included in the RESP, there are restrictions regarding who that new beneficiary may be
- Withdraw the original contributions — the contributors can withdraw the funds they deposited and because they have already paid income taxes on those funds, they are not taxed again. Any CESG funds must be paid back to the Government. The growth of the funds within the RESP can be transferred to an RRSP (to a maximum of \$50,000) if unused contribution room is available, donated to an education institution of the contributor's choice, or withdrawn as taxable income.

An RESP family plan with multiple beneficiaries would avoid the above situation occurring, unless none of the beneficiaries pursues a post-secondary education.

Talk to your Nakamun advisor about setting up or withdrawing from an RESP. 🌱

# REVIEW YOUR LIFE INSURANCE — YOU MIGHT BE PAYING MORE THAN NECESSARY

By John Davis, CFP, CLU, The Nakamun Group, Edmonton

**I**F YOU PURCHASED term life insurance 10 to 15 years ago and simply renew your insurance at the end of each term, you might be paying more than necessary. In the past, as a person aged and the risk of a claim increased, the premium rates tended to climb dramatically at about age 50. While a person was younger, the premium rates tended to remain fairly stable year after year.

## TIMES HAVE CHANGED

**I**f your life insurance company bases its premiums on statistics from the 1970s when life expectancies were lower than they are now, your premiums will increase significantly as you approach ages 50 to 60. Term insurance policies that use life expectancy statistics from the 1990s might offer you lower premiums, particularly if you are healthy and live a healthy lifestyle. You could save as much as 25 to 30 percent.

## YOUR NEEDS CHANGE

**Y**our life insurance needs change, as well. While you have young children and a large mortgage, you need more life insurance than when your children are no longer financially dependent upon you, you owe less, and own more. Perhaps the solution might be for you to have less of a more permanent type of life insurance.

## PERMANENT LIFE INSURANCE

**U**nlike term life insurance, where premiums increase at specific future renewal dates, permanent life insurance plans establish a fixed and level premium rate for the insured's entire lifetime. Some permanent life insurance plans can be arranged where premiums end after much shorter timeframes — for example after ten years or when the insured reaches age 65 — while protection continues until death occurs.

During the time when premiums are being paid, many kinds of permanent life insurance policies develop a cash value reserve that can be accessed as a refund of premiums, emergency funds, loan collateral, or other purposes at the policy owner's discretion.

## REVIEW YOUR LIFE INSURANCE

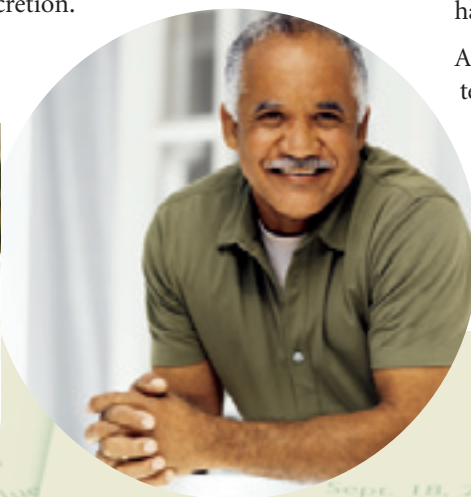
**I**f you've owned a term life insurance policy for ten years, the coverage might not be appropriate for your needs now. Your insurance needs might have changed significantly in the past decade. We recommend that you review your life insurance needs.

## OUTSIDE FACTORS AFFECT YOUR INSURANCE RATES, TOO

**Y**our life insurance prices are also influenced by factors that are not directly related to you. For example, in the past few years, more companies have entered the market. Banks, for instance, are now selling life insurance. The increased number and types of players in the market have resulted in lower premium prices.

As well, the advancement in computer technology has enabled customization of insurance policies at relatively low cost.

Too many people pay too much for life insurance. Don't be one of them. Call your Nakamun advisor to review your insurance needs.



**LIFE INSURANCE**  
The value of an asset is its market value determined in accordance with general policies or other generally accepted...  
The amount of any liabilities of an accepted accounting concepts, be appropriate for insurers.  
The value of any assets of the insurer which are matched which fall within any of the maturity value if that value appropriate by the way...

Sept. 18, 2002

The Place  
555 Avenue Ave.  
New York, NY  
(555) 555-0000

Dear Mr. Lalonde,

I would like to...  
cooperation...  
able to provide...

An attached...

what we have...

Should you...

Thank you...

Sincerely,

# MORTGAGE BROKERS PROVIDE A VALUABLE SERVICE

By Floyd Murphy, CFP, CLU, CHFC, The Nakamun Group, Vancouver

**T**HE MORTGAGE ON YOUR HOME is likely the largest loan you will have in your lifetime. Negotiating the lowest possible interest rate with terms that are most advantageous to your particular circumstances can have a significant effect on your monthly payments and the ultimate cost of your mortgage.



**M**ortgages can differ in a variety of meaningful ways, such as:

- Interest rates
- Variable versus fixed rates
- Short-term versus long-term contracts
- Repayment options
- Penalties
- Transferability

**These differences could have an effect in the tens of thousands of dollars throughout the life of a mortgage.**

## THE MORTGAGE WORLD HAS CHANGED

**I**n the past decade the world of mortgages has changed dramatically. Prior to that, people tended to hold their mortgage with the same institution until they paid off the debt and owned their home outright. Now, the number and types of institutions offering competitive mortgages have grown to the extent individuals can hardly shop and compare effectively on their own.

The ever-growing options for mortgages have resulted in the evolution of the role of the mortgage broker. In much the same way that your Nakamun advisor assists you in finding a term deposit with the most advantageous interest and terms for your needs, a mortgage broker may now be in a position to find the best mortgage for your particular circumstances. Like the term deposit broker, the mortgage broker is paid by the financial institution.

## CHOOSING A MORTGAGE BROKER

Here are some suggestions when you choose a mortgage broker:

### REGISTRATION

Confirm that the mortgage broker and the broker agency are registered appropriately under the Mortgage Brokers Act.

### REPRESENTATION

Ask for a list of institutions the broker represents — an individual who acts as a “broker” but only represents one financial institution, probably is not going to meet your needs.

### REFERENCES

Ask for at least two references from the broker’s existing clients and contact the references to confirm that they are satisfied with the service provided.

Ask your Nakamun advisor to review recommendations from the mortgage broker to ensure they fit into your overall financial plan.

**Mortgage brokers have existed for many years but are now being used by more and more Canadians. Choose your mortgage broker wisely and you could save significantly on the financing of one of the biggest purchases you’ll ever make.**



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