PERLER FINANCIAL GROUP

WORLDSOURCE FINANCIAL MANAGEMENT INC.
MUTUAL FUND DEALER

Vested Interest

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MAIN FOCUS THIS QUARTER:

Talking To Your Parents About Money

A proactive approach is often best for the whole family

Source: Manulife Financial

"The money talk." It may be one of the most important conversations you ever have with your parents, but many families aren't sure how to approach the subject and what precisely they should be discussing. This article will help you start the discussion and make sure you're covering some important bases. Remember that your advisor can be a valuable partner as you implement estate planning strategies for your parents.

ASSESSING YOUR PARENTS' SITUATION

One of the reasons many families avoid talking about personal finances is that it can be difficult for both adult children and their parents to contemplate the challenges of aging. Topics such as chronic illness, disability, mental incapacity and death are painful to think about – but there are significant advantages to addressing them head-on as you and your parents plan for the future.

First of all, talking about how you will deal with a particular situation in advance saves you from making difficult choices at a time when logic may be clouded by emotion and when it may be impossible to find out your parents' preferences. Second, if your family waits until a crisis occurs, it may be too late to put money-saving and tax-saving strategies in place. Acting earlier increases the range of choices you and your parents have to structure their affairs in a way that works for all of you.

To start the conversation, take a look around at your friends, relatives, co-workers and acquaintances and consider whether there's a situation you and your parents can learn from. For example, you may know someone who recently moved into a long-term care facility, had to leave work for an extended period following an illness, or passed away without an estate plan in place. Raise this situation with your parents and express your concerns about something similar happening to you or to them.

Another good approach is to seek your parents' advice on your own plans. Explain that you want them to be aware of the strategies you have developed to deal with various scenarios, and then ask if they have similar strategies for themselves. Involve siblings in the conversation whenever possible, so everyone in your family understands what everyone else has done to prepare for the future.

INSIDE

Visit me at www.frasermcdowell.com

My website is full of information and is continually updated every month. Be sure to view my website at your convenience. If you have any comments or suggestions for the website, please be sure to contact me.

Thank you

A heartfelt thank you for your continued patronage and all your referrals. Your confidence in us is truly appreciated.

Upcoming Client Appreciation Events:

Fraser McDowell's

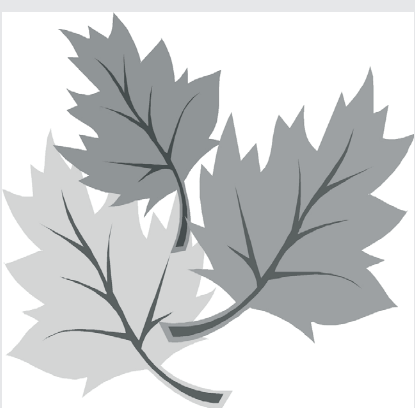
Family Harvest Day Bowling Event

Once again, this year we are offering this client event to thank you for your ongoing patronage and referrals. Please join us for a fun filled afternoon of bowling and pizza at PoCo Bowl on McAllister Street in Port Coquitlam. During this event, we will be collecting lightly used winter clothing that we can donate to those in need.

Perler Financial Group

Movie Day

Be sure to check your mailboxes in November for this great event! During this event, we will also be collecting food to donate to those in need over the holiday season.



WHAT IS THEIR FINANCIAL SITUATION?
Try to find out what assets and liabilities your parents have, including investments, real estate and pension plans. If your parents don't feel comfortable sharing their precise balances with you, ask them to make a list of all their accounts and tell you where they keep important papers such as birth and marriage certificates. It's particularly important for you to know where their safety deposit boxes (and accompanying keys) are.

DO THEY HAVE A WILL AND POWERS OF ATTORNEY?
Encourage parents to discuss the contents of their will with the entire family, because understanding their intentions can help to avoid disputes and resentment later on. Also, raise the important topic of powers of attorney – for finances and for health care. Keep in mind that your parents may have signed power of attorney documents with their financial institution, but that these only cover the assets held at that institution. Also, find out if they have appointed alternative powers of attorney in case their primary power of attorney isn't able to act on their behalf because of illness, injury or death.

HOW ABOUT INSURANCE?
Ask if your parents have life, disability, critical illness and long-term care insurance. It's vital that you know what protection they have in case they are unable to tell you themselves – for example, if they develop an illness such as Alzheimer's. Raising this topic can also be a good way of introducing the concept of appropriate coverage if your parents haven't considered it yet.

WHO ARE THEIR ADVISORS?
Find out the names, telephone numbers and addresses of all the professional advisors your parents work with, including their lawyer(s), accountant(s) and financial planner(s). That way, you'll know exactly whom to contact if the need arises.

WHAT ARE THEIR WISHES?
Although it may be difficult to discuss health care and funeral preferences with your parents, it is very important to know how they feel so family members don't end up arguing when the time comes to make tough decisions.

DOES THEIR ESTATE PLAN MINIMIZE TAXES AND FEES?
Parents generally want to maximize the value of the legacy they leave to their children, but they may not have taken the steps necessary to minimize taxes and probate fees. For example, there are tools such as testamentary trusts and segregated fund contracts that can enable more of an estate to pass to the next generation. If your parents would like additional guidance, suggest that they speak with an advisor.

SPEAK WITH YOUR ADVISOR
The bottom line is that it's important to ensure that your parents are prepared for the financial consequences of growing older. In addition, talking to your parents openly about financial matters can enable you to plan as a family for the best long-term financial results. For more ideas about how you can start the conversation with your parents, speak with your advisor.

Family Issues - Why You Should Have Disability Insurance

Source: Dynamic Funds

What would happen if you had an accident, became disabled and couldn't work for a period of time - or ever again? An accident for someone who doesn't have disability insurance could be financially devastating. If you can't work, how do you pay the bills? How long will your emergency fund last - if you have one? How far will you end up in debt to maintain your lifestyle, pay your debts and cover extra costs due to the accident.

Unfortunately, accidents are a part of life. According to Great West Life, one in three people on average will be disabled for 90 days or longer at least once before age 65. The average length of a disability that lasts over 90 days is 2.9 years.

Disability insurance helps you replace your income if you can't work due to an accident. How much you will pay for disability insurance can vary depending on many different factors:

- the amount of income you want - usually not more than two thirds of your annual income
- when the income will kick in - one month or three months
- how long the income will last - usually from two years up to the age 65
- your occupation. The more dangerous your job, the higher the cost and limits on your coverage
- the coverage you buy. "Own occupation" coverage provides you with benefits if you can't work in your regular job, even if you can do another job. If you have "regular occupation" coverage, you typically receive your monthly benefit if you can't perform your regular job. Your income must be reduced due to the disability. If you have "any occupation" coverage, you must be unable to perform the duties of any occupation. You must be completely unable to perform any job. Sometimes the terms can be adjusted to match your education level and experience, providing you with more flexibility.

Planning For Income To Last A Lifetime

Source: Fidelity Investments

If you are nearing retirement or already there, you face a critical challenge. You have to rely on your pensions and savings to provide income. But you can't know for sure how long you will need those assets to last. If they are not wisely invested or you spend too freely, you may outlive your savings.

Know the five key risks
There are five key risks to your retirement income. Knowing how to manage them will help you achieve financial security for the rest of your life.

1. Longevity
In Canada, both men and women are living longer than ever before. Yet many people underestimate how long retirement could last.
<u>What you can do:</u>

- When setting up your retirement income plan, allow for the fact that your savings must last for 20, 30 or even 40 years.

2. Inflation
Don't let recent low rates fool you – planning for inflation is still a necessity. Let's say you start with retirement income of about $46,000. Even an inflation rate of 2% will steadily nibble away at it. After 25 years it would be worth approximately $28,000, a decline in purchasing power of 39%.
<u>What you can do:</u>

- Include investments with the potential to outpace inflation in your portfolio and investment plan.

3. Choosing the wrong asset mix
Many retirees rely on a "safe" portfolio that's heavy with fixed-income investments such as bonds and GICs. But these may not grow enough to keep up with inflation and maintain your income level over the long term.

'tis the season

Christmas is less than two months away, so needless to say, we are already planning for the holiday season. In recent years, instead of sending out calendars to each of you, we have decided to donate the funds to selected charities in your honor. Since we continue to receive such positive feedback, we are planning to do the same this year. Last year we donated to the following charities:

- **The Salvation Army**
  www.salvationarmy.com
- **Friends In Need**
  www.friendsneedfood.com
- **Share**
  www.sharesociety.ca

We would love to have your input again this year. If you would like to see the funds donated to one of the above, or if you have another charity in mind, please give your suggestions to Marina by emailing marina@perlerfinancial.com. We will select the top three recommendations to donate in your honor.

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What you can do:

- Build a moderate portfolio that balances equities for growth potential with bonds, GICs and money market investments for steady income.

4. Excess withdrawal

Until recently, many retirees counted on being able to withdraw 7%, 8% or even more from their savings per year. That's because stock market returns were high between 1982 and 2000. In today's economic climate, you should plan on an inflation-adjusted withdrawal rate of around 4%. Anything over that could put you at risk of outliving your savings.

What you can do:

- Manage your withdrawal rates carefully in your early retirement years; the lower the better. If your portfolio does well, you can withdraw more later on, when there is less risk that you will run out of money.
- Consider ways to withdraw less, such as cutting back on "extras" or taking on a part-time job.

5. Health care expenses

While Canada's health system provides good basic care, it does not include many items or services you may need or want in your older years. The government covers many key items only partially or not at all, including long-term care, nursing care at home, private or semi-private hospital rooms, or home renovations to deal with a disability

What you can do:

- Include the possibility of future health care expenses in your retirement plan.
- Put away extra savings and/or buy insurance to give yourself more choice in the future, as well as peace of mind.

"I am successful because I have alwasy been a tortoise. I did not come from a rich family. I was not smart in school. I did not finish school. I am not particularly talented, yet, I am far richer than most people simply because I did not stop."

- Robert Kiyosaki

"Our deepest fear is not that we are inadequate. Our deepest fear is that we are powerful beyond measure."

- Marianne Williamson

"If past histories was all there was to the game, the richest people would be librarians."

- Warren Buffet

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