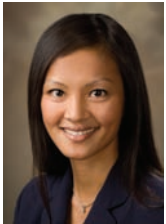


The Financialist

Everything I Need to Know About Money



BY JACQUELINE SIAH
BSc CIM CFP CLU

“Everything I need to know I learned in kindergarten”, so the saying goes. While this is likely a gross overstatement, it can be argued that many of life’s basic skills are learned at a young age. Money is no different. In fact, the importance of starting the financial education process early is becoming increasingly important as teddy bears and toy phones are being replaced by high-tech gadgets and smart phones. The pressure to spend to keep up with peers only worsens as children get older, thanks to elaborate advertising campaigns and a barrage of readily-accessible credit sources as children reach post-secondary school age. Without appreciating the consequences of overspending, chances are that these children will end up joining the mass of debt-laden adults living from paycheque to paycheque.

In order to develop a fiscally responsible adult child, it is important to begin talking to your children about money at a young age. Discuss finances openly, in a simplistic way that they can understand and relate to. Studies show that open communication is often the key to preventing kids from falling into certain traps. While an overdrawn bank account may not cause as much devastation as a drug addiction, for example, its long-term consequences can be severe enough to ruin a person’s life.

Putting words into practice is an essential next step for forming good habits early. Show your kids how money affects the family’s everyday life, from paying for necessities to saving for a big purchase. Explain how X dollars spent here will take it away from another purchase possibility, so that there is always a tradeoff, and that always buying everything you want is neither realistic nor prudent. Teach your children to earn an allowance for extra chores or a clean room. This is a good introduction to earning their own money.

For many people, personal finance is an overwhelming and intimidating topic. Here are some basics to get the conversation started:



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- Group vs Individual Insurance
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- My Services Canada Account

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Cleaning Up Our Mess



BY ALAIN QUENNEC
BComm CFP FMA CIM

Like most children, when I was growing up, my mother was always after me to clean up after myself, saying, “You don’t expect me to do everything for you, do you?” (except it was in French...).

I apply that same principle in my financial planning advice today, asking clients to ensure they have properly taken care of themselves in the event of death or incapacity. Basically, make sure you have a Will, Power of Attorney, and possibly a Representation Agreement.

THE WILL

The Will is a set of instructions you leave behind after death, asking the executor to deal with your earthly possessions in a particular fashion.

Without this document, those you leave behind will have to clean up your mess by figuring out on their own what to do, and this may cause disagreements, precisely when you don’t want them – at a time of stress (hopefully your death causes stress and not relief).

The executor’s job is to follow through on the deceased’s wishes, as written out in the Will. Choose this person wisely, and be nice to them so they’ll care about doing a good job!

Typically, we advise that the executor be the same age or younger, as we want them to have a high likelihood of living longer than you. We also advise that you choose *contingent* executors – someone willing to take the job if your first or second choice is unwilling or unable to take up the task.

The executor may have to take the Will through probate, which is the process of determining the validity of the Will with a provincial court.

The executor may look at all the things needing to be done and decide to retain the services of a lawyer – not as a replacement executor but as someone to navigate the estate process, asking for authorization and signatures from the executor along the way.

The executor makes funeral arrangements, confirms the Will is indeed the Last Will (no other versions are more recent), and notifies potential beneficiaries.

Income tax returns and outstanding tax balances must be settled, after which other debts can be paid – the Tax Man comes first, of course! It’s wise to obtain a Tax Clearance Certificate before proceeding to other disbursements.

An executor’s fee of up to 5% of the assets in the estate can be charged to

compensate for the work and responsibility involved. An executor can be held personally liable for improper distribution or handling of estate assets, which can be a considerable risk.

Finally, the remainder of the estate can be distributed as per the deceased's wishes. Oh, wait – someone (a long lost child) has filed an action in court under the Wills Variation Act, seeking to amend the terms of the Will. Now the executor is in court trying to figure out what to do. A lawyer might be handy....

THE POWER OF ATTORNEY (POA)

This document serves to designate power to someone in case you don't die but you are simply incapacitated. Let's say for the sake of this case, you are in a coma – who is going to make investment decisions, pay your bills, file your tax returns?

A PoA document can be put in place with any lawyer or notary. Often it is simply a one-page document, noting that in case of incapacity, you name your PoA to take over for you all decisions relating to property (not your body or health decisions – that's a different document, the Representation Agreement).

Your PoA can be "triggering" (comes into effect at the moment of incapacity) or "enduring" (in effect at the moment of signing *and also* after incapacity).

Naming a contingent PoA is a good idea, in case the primary person is unwilling or unable (they may be lying next to you in the hospital...).

Without a PoA in place, hopefully someone will show up at the office of the public trustee and request to be your Committee (pronounced "ko-meh-TEE"). The downside is they may be asked to report periodically to the public trustee all their activities on your behalf, provide proof, and there may be a fee involved, to boot. Wouldn't it be better to just spend 30 minutes with a lawyer or notary to put this simple document in place?

I recognize these are not cheery things to talk about, but are they really going to be easier for someone else to handle when you aren't able to help them out? If you're having trouble deciding what to do or how to handle these issues, please talk to us – we can help guide you in making good decisions that are right for you.



"If you don't like something, change it; if you can't change it, change the way you think about it."

- Mary Engelbreit

Wish us luck! Many of our advisors will be riding with the Rogers Group Financial team - Market Cycles - again this year in The Ride to Conquer Cancer, taking place June 18 - 19. Some of our support staff will be joining them as volunteers, helping riders along the way. To support your advisor with your pledge, please go to www.conquercancer.ca/goto/marketcycles2011.



for any amount above \$50,000, he had to qualify medically. For his disability insurance, he only received \$900 per month instead of 4 times that amount, because the “non-evidence limit” was \$900.

My dad was only 61 when he passed away – he was in his prime earning years and was hoping to retire and travel when he turned 65. It was a drastic setback for him and my mother financially, as not only was he unable to earn and save as much as he had planned, but he had to dip into his savings. My mom quit her job to take care of him for two years, which meant they lost two incomes and received only \$900/month as income.

The biggest lesson I learned from this was that it was not a good idea to depend upon group insurance, as employees do not have any control over their group insurance.

Group vs Individual Insurance



BY CECILIA TSANG
BComm CFP CIM RHU

“Dad, do you have life and disability insurance in place?” I asked many years ago. “Don’t worry – I have plenty through work,” my dad answered. It was the end of that conversation, but I wish I had pressed him a bit harder. A few months after this conversation, he was diagnosed with cancer and he died two years later.

He would have been right about having enough coverage...if the group coverage hadn’t changed. As it turned out, his group benefits provider had changed just as he was diagnosed with cancer. Instead of having two times his income for the amount of life insurance, he only qualified for \$50,000, as this was the “non-evidence limit”, which means that

Most working Canadians have attractive benefits through their employment, including different types of insurance such as life insurance and long-term disability insurance. Because they have this coverage in place, many people often feel secure, without ever reading their group benefits booklet in detail to know exactly what they have in place.

If you have group coverage, it is important for you to understand the differences between having coverage through your group benefit plan at work and holding individually-owned policies.

LACK OF OWNERSHIP

A group insurance policy is owned by the employer and not the life insured. The employer can make changes at any time. Employees hold certificates of the master policy and are only able to participate in the group while they remain with the

company. If you leave the company, you may be offered a time-limited conversion privilege to buy a very limited selection of insurance offered through the group insurance company without providing medical evidence. These conversions are typically very expensive and limited.

With an individual policy, you are the only one who can make changes to your policy and you are the only one who can cancel the coverage. You have full control over your own policy.

INCREASING PREMIUMS

As you age, your group life insurance premiums tend to increase in five-year intervals. For long-term disability insurance, the premiums may increase each and every year. Both of these types of group coverages have no guarantees with regard to premiums.

With individual policies, the premiums are guaranteed from the start. You know how much you are going to pay throughout the lifetime of the contract. For individual life insurance, you can lock in your premiums for 10 or 20 years at a time or even for life. Individual life policies may be more affordable than group life insurance – one of the reasons for this is that you have to qualify for individual life during the application process whereas the group insurance includes everyone, healthy or not.

For individual disability insurance, the premiums usually remain level from the time you take out the policy until the policy ends at age 65.

POSSIBLE CANCELLATION

The insurance company has the right to modify or cancel a group insurance policy on an annual basis. Thus, if they experience high claim rates, the entire

group's premiums might increase or they may cancel the entire policy. The employer who is providing the benefit of a group life plan could also cancel the entire group plan.

NO PREFERRED RATES

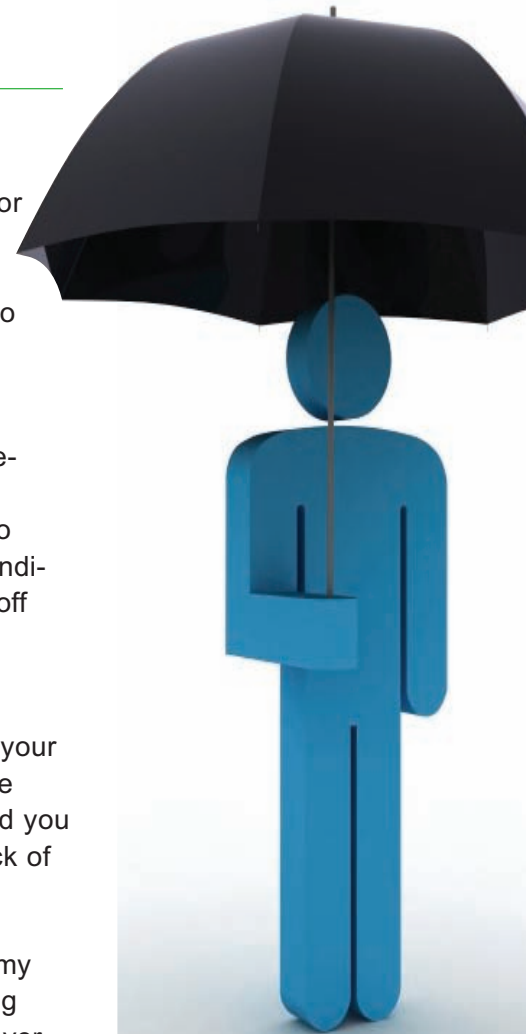
Group insurance does not offer preferred rates. If you are in excellent health, it may be possible for you to qualify for preferred rates on your individual insurance plans, up to 30% off standard insurance rates.

PORTABILITY

Should you change jobs, you lose your group benefits. Individual insurance goes with you wherever you go and you do not have to worry about any lack of coverage if you are between jobs.

Unfortunately, I wasn't able to help my father mitigate the risks of depending solely on his group insurance; however, because of what he went through, I am now adamant about making sure my clients understand how important it is to understand all their financial risks.

When employers started offering group benefit plans to employees, it was not intended that these plans would replace personal planning. A sound financial plan which takes your specific situation into consideration should address all your risks and look at what you already have, including your group insurance. Please contact your Rogers Group advisor to ensure that your risks are managed appropriately.



**"I can be changed
by what happens to
me, but I refuse to
be reduced by it."**

- Maya Angelou



(Everything I Need to Know About Money – cont. from page 1)

SAVINGS

Set up a bank account for your child and encourage them to deposit their allowance and/or extra cash on a weekly or other periodic basis. The ability to track savings is a good motivator for continuing to do so, and it helps form the habit at an early age.

BUDGETING

Teach your child to budget. Help them figure out how much necessities cost, even if they are not paying for those items yet. As soon as they begin having expenses – anything from part of a cell phone bill to candy at the store – have your child write it all down. Being able to see and track spending is a powerful tool to deter overspending.

GOAL-SETTING

Goals give children something to work towards. Whether it's the latest toy or the next lunch at their favorite fast-food chain, setting goals not only helps with the savings process, but also offers a quick lesson on the consequences of blowing all of their money on something else.

GETTING A JOB

Starting a part-time job at a young age helps children appreciate the value of earning their own money, which should encourage wiser spending habits. Monetary benefits aside, being in the workforce is an invaluable way for children of any age to build interpersonal skills, gain independence, and learn responsibility.

LEAD BY EXAMPLE

Despite your most diligent efforts to educate your children on money management, if you don't follow the same set of rules yourself, there's a high likelihood that your efforts will be all for naught.

Beginning at a young age, children look to their parents to mimic everything from facial expressions to hygiene habits; how you handle money is no different. You want to set the stage early so that they look to you as an important role model throughout their lifetimes.

By instilling basic financial management skills in your children from a young age, you are setting them on the path for good financial health. It's a large responsibility, but as a parent you will likely be the only teacher your child will have in this area until they are well into their teens – at which time bad spending habits learned over the years will be difficult or impossible to reverse. By starting early, encouraging open communication, and following your own advice, you can set the stage for good financial health and watch your child grow into a fiscally responsible adult.

Ode on a Nova Scotian Urn



BY CORY HILL
CFP CIM

My father-in-law, James Casey, passed away April 19, 2009, six days after his 68th birthday. Jim was a larger-than-life character, who loomed large in our family with his gentle presence and endearing humility.

Jim was a complex man who lived simply, a paradox. To me, he was a renaissance man. He carried himself with military precision, ingrained by his years as a member of the famed Black Watch Regiment, but he also came of age during 1960s.

He was orderly, neat and predictable, yet he fully embraced the culture and music of the 1960s. Jim was a die-hard Rolling Stones fan, even taking his grandchildren to their concerts, while at the same time, a true curmudgeon at heart.

Jim was a big part of my wife's life, my kids' lives and my life. When he passed suddenly, barely three months after his diagnosis of non-Hodgkins lymphoma, he left a hole in our lives.

When he passed, my wife, Jenny, wanted to honour her dad by selecting an appropriate, final resting place for his remains. As per his wishes, Jim was cremated; we needed a special place for his remains.

As a hobby woodworker, I offered my skills to create an urn for Jim. Thankfully, Jenny agreed. Jim was born and raised in Nova Scotia – a true son of the "Merry Times" – and so, I thought, what better material to use than the provincial tree

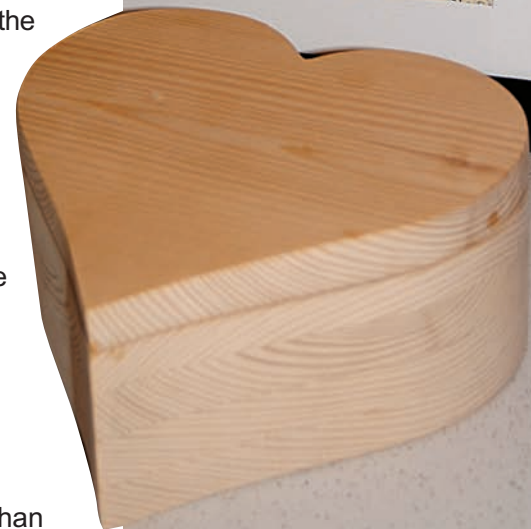
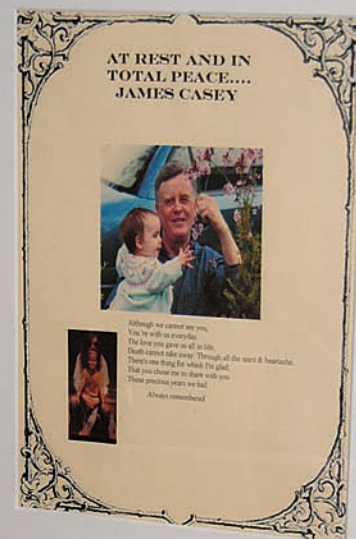
of Nova Scotia, the red spruce, to create the urn.

My search for the wood started with Google, which pointed me to a lumber supplier in Prince Rupert. Unfortunately, red spruce was not a species he carried. He turned me to a lumber wholesaler in Toronto, whom I called; they thought the wood was protected. They gave me the number to a specialty wood seller in Halifax. They told me that a fellow woodworker was recently telling them of a farmer with a nearby demonstration forest on part of his farm, who was selling red spruce. Strangely enough, they gave me the local woodworker's phone number, and I called him.

So here I was, calling a complete stranger, clear across Canada, and explaining my quest for red spruce. Dave (the woodworker) was more than helpful and quickly gave me the farmer's name and number. Jim was a farmer in Cumberland County, my father-in-law's home county. How serendipitous!

When I told Jim my story and why I was searching for red spruce, he was more than accommodating. In short order, he shipped me multiple pieces of beautiful, nearly flawless red spruce to work with, and he refused to accept payment for the material.

Jenny loves hearts, so it was fitting that I craft Jim's urn in that image, to honour Jenny and Jim's spirit. Although Jim would surely argue the shape, I hope he is pleased with the journey on which his memory took us, and with the final product.



**"Don't follow
your dreams;
chase them."**

- Richard Dumb



My Services Canada Account – Online Services and Forms

With a *My Services Canada Account*, you gain online access to view and update information on your Employment Insurance, Canada Pension Plan, and Old Age Security.

Signing up for a My Services Canada Account

To register for a *My Services Canada Account*, go to www.servicecanada.gc.ca.

You must have either:

- A 4-digit Employment Insurance Access Code (printed at the bottom of a Benefit Statement that is mailed to you after applying for EI benefits) or
- A 7-digit Personal Access Code. If you do not have one, you can register for one online.

Follow the online instructions to obtain your Personal Access Code. You are required to provide information including your Social Insurance Number, Name, Date of Birth, Mother's Maiden Name, and Postal Code. If the information you provide does not match with the information on record, you will be provided with a phone number to call. A representative will then verify your information on the phone.

Once you have completed the request either online or by phone, your Personal Access Code will be mailed to you within approximately 5-7 business days. It will be mailed to the address on record at Service Canada (this is confirmed when you are asked to provide your postal code as part of the verification questions).

Once the Personal Access Code is received by mail, you may register for your *My Service Canada Account* online.

Follow the online instructions to set up your User ID and Password (this is called your *Access Key*). Again, you will be asked a series of questions to validate your identity. Ensure that your Personal Access Code and Access Key are kept confidential. Do not provide your Personal Access Code to anyone, even when contacting Service Canada in writing or by phone.

Canada Pension Plan (CPP) Statement of Contributions

This online service allows you to access your CPP Statement of Contributions, including a history of your CPP contributions and an estimate of CPP benefits you may be eligible to receive. Once you have a Service Canada Access Key, you can enter your information on the *Access Key* login page. Once logged in, you will be taken directly to the Welcome Page.

At the bottom right-hand corner under *Retirement Planning*, you have access to the following:

- View my CPP contributions
- Estimate my CPP benefit
- Apply for my CPP retirement pension

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