

# Inside Info

Insurance & Financial Group Inc.

# JSJ

Autumn 2007

## The Wealth-Building Issue!

### In This Issue:

- Reclaim Your Lost Money!
- 10 Laws of Building Wealth
- What Type of Spender/Investor Are You?
- Why a Large Tax Refund Is No Reason to Celebrate
- For Business Owners
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### Canada's Best Places to Retire:

1. Quebec City, Que.
2. Kingston, ON
3. Victoria, BC
4. Ottawa, ON
5. Fredericton, NB
6. London, ON
7. Corner Brook, Nfld
8. Guelph, ON
9. Cobourg, ON
10. Halifax, NS

\*Data sources: Canadian Demographics, FPMarkets/MapInfo; Statistics Canada

## RECLAIM YOUR LOST MONEY! TAX TIPS!

The following are a few new or enhanced tax changes that you may wish to consider when planning for not only this year, but also future tax years. Among other things, these tips may allow you to reduce the taxes you pay, more efficiently manage your family income and use certain expenses to your best advantage.

**Canada Employment Credit:** gives Canadians a break on employment-related purchases, recognizing expenses for things such as home computer, uniforms and supplies; provides tax relief on the lesser of \$500 or the individual's employment income for the year.

**Tradespeople's Tool Expense:** employed tradespeople can claim a deduction for the cost of eligible new tools in excess of \$1,000 up to a maximum of \$500 for the year.

**Textbook Tax Credit:** students are not entitled to a non-refundable Textbook Tax Credit; full-time students can claim \$65 and part-time students \$20 for each month they qualify.

**Scholarship and Bursary Income:** Previously, only \$3,000 of scholarship, fellowship or bursary income received by a student with respect to post-secondary education, but now all such income is exempt from tax.

**Fitness Tax Credit (2007):** Beginning in the 2007 tax year, parents can claim a non-refundable Fitness Tax Credit of up to \$500 in eligible fees for the enrolment of a child under age 16 in an eligible program of physical activity; can be claimed by either parent; receipts are required and expenses claimed under the Child Care Expense Deduction are not eligible to be claimed here.

- Taken from *Solutions* spring/summer 2007

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We appreciate your comments!

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## 10 Laws of Building WEALTH

Ever wonder how that millionaire built their wealth from nothing? It's not just luck... it's a science. *MoneySense* magazine has compiled research conducted by behavioural finance researchers and formulated a list of ten laws of building wealth.

The main focus is to *KNOW THY SELF*.

### 1. Know the Enemy

Most blame the unpredictable markets, inadequate pay amounts, and unavailable funds for investing as reason why they are unable to amass large investment earnings. However, the true enemy in investing is YOU. Until you know your own investing comfort level (completing an "Investor Profile" can help), and accept that old techniques, following the crowd and the trendy investments available in the market may not be the best way for you to reach your goals, only then will you be a successful investor. Be willing to change your mind, be flexible and open to alternatives.

### 2. Talk to Yourself

Keep track of your thoughts and ideas on an ongoing basis. Before making any important investment choices, buying a new home, or committing yourself to a major expenditure run your ideas past people whose financial opinion you value. It may be wise to talk to those who may not agree with you, so that you can get valuable critique that may adjust your own thinking. You have to be able to admit your mistakes and ultimately learn from them in order to allow for investment success.

### 3. Party Like It's 2005

Put less thought toward outsmarting the market, and more toward putting money aside in savings. If you could save 5% to 10% of your salary, and invest it wisely for the long-term, you'll wind up wealthier than most Canadians. Pay yourself first!

### 4. Don't Be Too Smart

Most of us think of our finances in terms of our top line – the amount of money we make. The bigger the income, the more we spend in order to have the best clothes, cars, home that we can afford. That is how most people define wealth, but that could be further from the truth. Real wealth lies not in what we are able to spend, but in what we are able to save. That is how we accumulate wealth. It turns out that in a study of families with a net worth of over \$1 million, that these self-made millionaires reached and retained that income level through avoiding status objects such as

expensive cars, huge homes and designer clothes. They do their own yard work, drink beer instead of champagne, and stock up when laundry detergent goes on sale.

### 5. Learn How to Get Over It

If you truly want to be wealthy, you have to take risks. The only problem is that most of us take the wrong risks. We suffer from what the behavioural finance types call "loss aversion" – in other words, we're petrified of losing money. If you think that loss aversion is just a laboratory oddity and nothing that could affect a rational person like you, ask yourself this question: Would you pass up a volatile investment that has a high chance of paying you 10% a year for one that pays a sure 4% or less? Most of us would scoff at the idea – but that's just what we're doing when we avoid the stock market in favour of GICs. We prefer the certain payoff from GICs to the high chance of a much larger but much more unpredictable payoff from stocks.

### 6. Know Your Edge (or Lack Thereof)

Proven wealth-builders take risks, but calculated risks. Often times they will invest in private businesses, but only after they are made fully aware and understand what they are investing in. Regardless of what you invest in, you should always do your research and fully understand what it is that you're making an investment in. By finding out things that few others know about, you create an edge. If you follow other investors, such as in the hot market of dot.com stocks in the 90's, your opportunity for creating wealth is minimized. Hot markets only last so long, and create so much profit that the market of that industry becomes saturated and returns begin to dwindle.

### 7. Be Scattered

Just as taking smart and calculated risks is one key for building wealth, protecting your downside is another. Smart wealth builders stay humble and are always aware that a mistake or twist of fate could surprise them. They diversify their investments so that no single setback can demolish their net worth.

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## 8. Sweat the Small Stuff

If you want to build your wealth, it pays to sweat the details. One good example is fees. Most actively managed mutual and segregated funds that invest in Canadian stocks charge 2.5% or more of your assets each and every year. Who cares about a measly 2.5%? You should. Since stocks historically have produced about 10%-a-year return, you're handing over a quarter of your expected profits to your fund company or bank. There's no evidence that expensive funds do any better than cheap ones, so look for those lower-cost indexed funds.

## 9. Live Like a Couch Potato

One simple way to put all the tips discussed thus far into practice is to use what *Money Sense* calls the "Couch Potato Portfolio". It consists of a simple set of rules for investing: 60% of your investments in index funds and 40% in bond funds. Diversify your portfolio with advice from your financial advisor, but by following this system, you can minimize your fees, maximize a consistently profitable rate of return with fads and hot trends having no influence on your decisions.

## 10. Sex Works, Too

While you're on your way to being a self-made millionaire, remember that wealth does not only come in a monetary fashion. Happiness from a raise or financial windfall fades quickly. True wealth consists of ignoring people's opinions and seeking out what makes you happy. Strategists say that a habit of regular exercise, a good night's sleep, and close friends have been shown to be better predictors of how happy you are than your financial success. And sex (preferably with someone you love) works too. It is consistently rated as among the highest generators of happiness. So focus not only on your financial wealth, but look within yourself for complete fulfillment.

Material from "10 Laws of Building Wealth"  
by Barbara Hawkins  
Money Sense Summer 2007

## WHY A LARGE TAX REFUND IS NO REASON TO CELEBRATE

The idea of a tax refund, particularly a large tax refund, is cause for celebration for most people, but it shouldn't be. The reality is that a tax refund means you have paid the Canada Revenue Agency (CRA) too much tax throughout the year. In essence, you have provided the government with an interest-free loan. The larger the refund, the larger the loan amount. Who knew you could be so generous!

You shouldn't have to wait until the following spring to get your money back. Fortunately, there are ways you don't have to.

### One simple way is this:

If you have non-payroll RRSP contributions, childcare expenses, interest expenses on investment loans, alimony, maintenance or support payments, charitable donations or rental losses, you can reduce the amount of tax deducted at source by your employer. Simply complete CRA Form T1213 "Request to Reduce Tax Deductions at Source", a straightforward one-page form, and send or take it to your local tax office. If approved, CRA will authorize your employer to deduct less tax from your pay.

There are several other methods of reducing these **transfers of wealth**, and we encourage you to contact our offices for further information.

Material from WealthStyles, Manulife Financial

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## WHAT TYPE OF SPENDER/INVESTOR ARE YOU?

Certified couples counselor Stephen Douglas broadly identifies four types of spenders/investors according to temperament. He says that most people will find that one of the four describes them consistently, while they might recognize parts of one or two others in themselves.

“There will probably be one, however, with which they cannot identify,” says Douglas, who has offices in Toronto and Burlington, Ontario.

That is the one that you hope your partner doesn’t consider his or her primary temperament – or your relationship may become a battleground, he says. For instance, while a Daring Investor/Spender probably would be able to hook up happily with a Lavish Spender, a Structured Investor/Spender would probably struggle with the same person. “Opposites are more likely to clash,” he says.

### **The Structured Investor/Spender**

This type follows prescribed rules for retirement savings. At their best, they are prudent – and will be rewarded. They know what is required for investment each year and generally like to use budgets and will follow them. They do what needs to be done. Their spending can be described as “measured.”

### **The Daring Investor/Spender**

These are people who like to be at the head of the pack. At their best, they are selective risk-takers and enjoy the comforts in life. They pay attention to opportunities to excel, and are more likely to invest in high-risk, high-return portfolios. They also may be vulnerable to those “too good to be true” sales pitches. Their spending sometimes may be impulsive.

### **The Lavish Spender**

These people are artistic and “in the moment.” At their best, they enjoy the good things in life now. (Why wait?) They know their weakness well enough to hire planners to make the decisions for them about putting money away for the future. Life is so vibrant and present in their conscious awareness that retirement is a mere distraction. They do not follow budgets easily. Their spending is “constant.”

### **The Accidental Investor**

Easily overlooked, these investor types are quietly tucking away their savings by default. At their best, they are easily contented. Money is not a primary motivator to these people, so they will not dwell on it and will generally avoid rash purchases or investments. However, they can be caught off guard and experience anxiety. Their savings are based upon insecurity. They have “simple” spending patterns.

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## FOR BUSINESS OWNERS

### DISABILITY INSURANCE FOR THE BUSINESS OWNER

Business owners think they're invulnerable. But when illness strikes, the right insurance can make all the difference.

Survey after survey says business owners get more satisfaction from work than employed people do. But there's a yin for every yang, so entrepreneurs make up for it by needing more types of insurance than anyone else.

Life insurance is essential, of course. But business owners need to think about less dire emergencies, too. Entrepreneurs rarely enjoy the supplemental health benefits that are lavished on their corporate peers. That leaves them solely responsible for countering events – like long illnesses – that could interfere with them earning an income.

“The reality is that people tend not to die on the job, but they do get ill,” says Malcolm Silver, a Toronto insurance agent. The solution? Using disability insurance and, possibly, its newer cousin, critical-illness insurance, to ensure that your family and your business don't suffer if your health does.

Franco Caligiuri, the president of Caligiuri Financial Group in Vancouver, believes many entrepreneurs risk their futures by neglecting disability insurance, which can provide them with a monthly income replacement if illness or accident leaves them unable to work. You should buy sufficient coverage to replace your after-tax income. Standard policies cover you until you are deemed fit to work again or for a specified period. If you're in a particularly demanding field, you can pay extra to receive payouts for as long as you are deemed to be disabled in your own occupation.

In today's high-pressure economy, disability insurance offers a bonus: protection against burnout. If your physician says you're under stress and better off not working for a while, your disability policy may cover the medical leave you need, something that most entrepreneurs would otherwise have to forego.

For those who want more than just disability insurance protection, the new kid on the block is critical illness insurance, which pays you a lump sum if you suffer any of 20-odd qualifying ailments, the most common being heart attack, stroke and cancer. Critical Illness (CI) won't do anything to help you with a broken leg; it's intended to help you counter life-threatening problems.

CI insurance is barely 10 years old in Canada. It was developed in 1983 by South African physician Marius Bernard (who in 1967 assisted his brother Christiaan with the first heart transplant). Bernard saw more patients living long enough to suffer more illnesses. “They didn't lose their lives,” he observed. “They lost their savings.” He developed CI to help patients preserve their financial independence.

David Trahair, a Toronto accountant, believes the first principle of financial planning is to avoid disasters, so he advises small business clients to investigate disability coverage. “Without a safety net, you risk everything you've worked hard to build.”

*Written by Rick Spence,  
featured in May 2007 edition of MoneySense*

**Think it won't happen to you?**

**Hesitant to spend the money on coverage?**

**Take advantage of the available Return of Premium (50%) option with your plan and get periodic returns when you don't claim on your policy!**



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## GROUP CORNER

### Email Overload

Electronic mail is fast. It's easy. It creates a record for future reference. In fact, it's how readers receive each edition of this publication, and how more and more plan members receive notification that their claims have been paid. But at the same time, many people struggle to read, absorb, reply to, and act on the incredible volume of e-mail they receive each day, week, and month.

E-mail is an important way for organizations to communicate and do business with their customers and staff alike. When twisurveys Inc. of Delta, British Columbia asked just over 1,700 communications professionals how they feel about and deal with e-mail overload, some interesting generational differences emerged. Forty-eight percent of younger people (those below 30 years of age) said that the amount of e-mail received each day was "just right," compared to only 35 percent of people above the age of 44. In fact, 3 percent of the younger group said that they weren't receiving *enough* electronic messages. The authors of the study found that the older generation is more likely to try to read every message, while younger people manage their e-mail by quickly deleting or ignoring messages that aren't relevant to them.

The size of the organization that people work for also plays a role in shaping its e-mail culture. Sixty-eight percent of people who work for organizations with over 5,000 employees said the amount of e-mail they receive is "too much." In smaller organizations, less than 50 percent of people felt the same way. Considering that many hours of the work week are now consumed by employees sending and responding to e-mail, the business people surveyed had some suggestions on how organizations can help their employees avoid overload.

These include:

- set policies and conduct training to teach organizational net and e-mail etiquette
- discontinue or restrict the use of mass distribution lists
- discourage the use of the "Reply to all" button
- reduce the use of e-mail for "thank you" notes and similar gestures
- post non-urgent company documents to the Intranet and use e-mail for time sensitive messages
- make use of e-zines and electronic newsletters for mass distributions
- make better use of subject lines
- look at alternative technologies such as social media, podcasts, Wikis, blogs, and others
- have e-mail holidays or e-mail free days
- pick up the phone or have a face-to-face conversation.

By creating a culture that uses and manages e-mail effectively, you'll help ensure that e-mail enhances your organization's productivity, and brings greater value to the messages you send and receive.

\* Taken from Manulife eBenefit News, Third Quarter 2007 volume 14 issue 3