



LIFE INSURANCE - WHAT TYPE?

There are two kinds of life insurance - term life insurance and permanent life insurance. They are two very different kinds of protection that satisfy many, different types of insurance needs.



Term Insurance

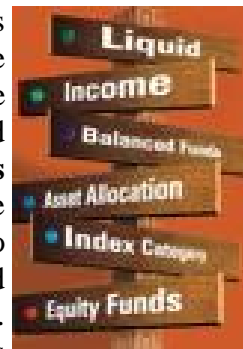
Term insurance is well suited to meeting high, short-term protection needs for the lowest initial cost, and gives you the freedom to later move, or convert as it is known, to a permanent product. However, this ability to convert to permanent life insurance can expire as early as age 65. It's important to understand any conversion restrictions when purchasing term insurance in anticipation of changing insurance needs. Because term insurance only provides coverage for a specified period you run the risk of outliving your coverage period. Term renewal rates can also be expensive and you may have to go through additional underwriting to get the best rates available at renewal.

Permanent Life Insurance: Participating Insurance/Universal Life Permanent coverage offers considerable flexibility and options during your life. Permanent coverage is a great way to lock in insurability and rates while you're healthy as well as accumulate tax-advantaged savings for the future. Cash values may be used to help finance a business opportunity, a sabbatical or retirement. Some permanent policies offer more flexibility than others—be sure to ask for details.

Cont'd on Page 3

TYPES OF TAXABLE INCOME

When you hold a mutual fund in a **non-registered account**, taxes are due each year on the fund's earnings. These earnings are called **distributions** because they are distributed to mutual fund investors. Distribution is



just a fancy word for profits. Depending on the fund, you might receive distributions monthly, quarterly or once a year. You can reinvest the distributions, or take

“If you want to save tax on your mutual funds—and who doesn't— you'll need to learn how each kind of income is taxed”

the cash. You pay tax on all distributions for the calendar year.

Although all distributions in non-registered accounts are taxable, **you pay less tax on some forms of income** than others. Mutual funds distribute four kinds of income: Canadian interest, Canadian dividends, capital gains, and foreign income (which includes foreign interest and dividends).

Canadian interest income is taxed at the **highest rate**. Interest income is typically generated by income funds that hold interest-bearing investments such as bonds, treasury bills, and various other kinds of government

Cont'd on Page 4

THE INTEGRATIS SUITE OF SERVICES -

- » Employee Benefit Plans
- » Life Insurance
- » Disability Insurance
- » EAP's (Employee Assistant Plans)
- » Critical Illness Insurance
- » Group RRSP Plans
- » Pension Plans
- » Pre-Retirement Planning
- » Annuities
- » Business Succession
- » Financial Planning
- » Estate Planning
- » Tax Sheltering
- » Buy-Sell Funding
- » Disability Management Programs
- » RCAs (Retirement Compensation Arrangement)
- » IPPs (Individual Pension Plans)



Introducing The Integratis Group of Companies Group Home and Auto Plan

November 1, 2005 marked the launch of an exciting new venture – **The Integratis Group of Companies Group Home and Auto Plan.**

This Group Plan will allow the individual employees of each of our valued clients to take advantage of the group buying power of all the Integratis companies, related to insurance policies including auto, home, boat, cottage and recreational vehicles. This plan is offered exclusively to employees working for companies insured through Integratis Benefit Solutions Inc., and is therefore an additional benefit offered to your staff through employment with your firm.

Integratis Benefit Solutions Inc. has partnered with Carruthers Nicol Insurance and Investments Inc. to offer this plan. Carruthers



“Take advantage of the group buying power of all the Integratis companies, related to insurance policies including auto, home, boat, cottage and recreational vehicles.”

Nicol Insurance and Investments Inc. (CNII) will be the point of contact for all quotations and administration of the plan. In consultation with CNII, ING Novex Insurance Company has been selected to underwrite this program. ING are the largest Property and Casualty Insurer in Canada.

Key highlights of this program include the following:

- This coverage is completely voluntary to your staff, with no minimum participation requirements.
- There is absolutely no cost to your company for offering this benefit
- There is absolutely no administration required by your company. The company is facilitating this group through participation, but has no direct involvement in the process.
- Each employee will be making contact with Carruthers Nicol Insurance & Investments Inc. directly.
- There is no direct involvement required with ING Novex, as that responsibility will rest with CNII.
- Individual underwriting takes place for each policy; therefore, it does not assure that all of employees will be acceptable. Driving record, loss history, construction details, etc. are important factors to the acceptability of the risk by the insurance carrier.



Each employee will receive a wallet certificate and brochure outlining the benefits offered.

We will be contacting each of our clients in the very near future to discuss the plan in greater detail.

We will require your feedback on to how you wish to introduce this benefit to your staff. Many options exist in this regard, some of which include bulletin board posters, payroll envelope brochures, on premises presentations (where warranted) and direct contact from a CNII staff member. It is important to us that we

tailor our approach to your staff to suit your wishes.

If in the interim, however, you have any questions related to this exciting new Group Home and Auto Plan offered by The Integratis Group of Companies, please feel free to contact Integratis.

We look forward with enthusiasm towards working with you on The Integratis Group of Companies Group Home and Auto Plan, offered through our unique *Employee Care*[™] program.

-Vanessa Moore

*From the Staff at Integratis
Happy Holidays*



LIFE INSURANCE—WHAT TYPE CONT'D

Features and Benefit of Term Life and Permanent Life Insurance

Features	Term Life	Permanent Life	
		Participating Life Insurance	Universal Life
Coverage for Life	Provides coverage for only a specified term	Yes	Yes
More than One Life Can be Covered	Can be structured to provide coverage on more than one life but pay out a death benefit on the first death.	Can be structured to provide coverage on more than one life but either pay the death benefit on the first death or pay the death benefit on the last death.	
Guaranteed Premiums	Initial premium is generally guaranteed. Renewal rate guarantees vary by company.	Premiums for the basic insurance coverage are guaranteed. However a policy combining term and permanent coverage may contain both guaranteed and non-guaranteed premiums. Please review the life insurance illustration provided by your financial security advisor to determine what is, and is not, guaranteed.	A universal life policy typically contains guarantees on some of the monthly charges. For example, cost of insurance charges are usually guaranteed whereas premium tax, policy fees and any insured life fee may not be. When purchasing a universal life policy, it's important to understand which monthly fees are guaranteed and which can change.
Guaranteed Cash Values	Cash values are generally not available.	Yes	Cash values are available, but not generally guaranteed.
Guaranteed Death Benefits	Guaranteed for a specified period.	The basic death benefit is guaranteed. Additional death benefits purchased with dividends may or may not be guaranteed.	Generally not guaranteed.
Policy Owner Dividends	Generally not available.	Participating policyowners share in the success of the pool of participating policies in the participating account through the payment of policyowner dividends. Dividends are not guaranteed and will vary upward or downward from those illustrated by a number of variables such as investment returns, mortality experience, expenses (including taxes) and other relevant factors.	Generally not available.
Term Riders and/or Benefits	Availability may vary by company.	Yes	Yes
Investment Options	Not available.	You do not select investment options. The investment portion of a participating policy is managed by the insurance company. Assets in the participating account are invested primarily in bonds, mortgages, equities and real estate.	You choose investment accounts from a variety of guaranteed fixed-income, index-linked, and managed investment accounts.

There are tax consideration associated with the uses of a life insurance policy mentioned here. Your financial security advisor is able to provide more information. Consult your tax advisor about your particular situation.



Types of Taxable Income Cont'd

and corporate short-term debt.

Canadian dividends, with some exceptions, are taxed at a higher rate than capital gains but at a lower rate than interest. To earn Canadian dividends, you simply invest in a Canadian dividend fund.

Capital gains, with some exceptions, are taxed at the **lowest rate**. Capital gains are profits earned when you sell a stock or equity fund at a higher price than you paid for it.

Foreign income is a special case. An international fund may earn interest and dividend income from foreign sources. If you want to save tax on your mutual fund profits — and who doesn't — you'll need to learn how each kind of income is taxed.

Let's start with Canadian **interest income**. It's the least complicated because interest doesn't receive any tax break. Interest income is taxed at your full marginal

rate — just like your income from work. If you earn **\$1,000** of interest income and your marginal tax rate is 40 per cent, you'll owe **\$400** in tax ($\$1,000 \times 40\%$).

Dividends from Canadian corporations qualify for the dividend tax credit.

Canada Customs and Revenue Agency uses a complicated formula to lower the tax rate for dividend income so that you pay less tax than on interest income. For example, if you earn \$1,000 of Canadian dividends and your marginal tax rate is 40 per cent, the tax rate on dividend income is slightly over 24 per cent. So, you'll owe about \$240 in tax ($\$1,000 \times 24\%$).

Capital gains are also taxed at your full marginal rate — but only 50 per cent of the gain is taxable. So, the first **50 per cent is tax free**. If you earn a capital gain of **\$1,000** by selling a stock or



equity fund units, you receive \$500 tax free and \$500 is taxed at your marginal rate. If your marginal tax rate is 40 per cent, you'll owe **\$200** in tax ($\$500 \times 40\%$). The tricky thing is, the sale of an equity fund (which may result in taxable capital gains) can occur in many ways, according to Canada Customs and Revenue Agency.

Foreign income is taxed (like Canadian interest income) at your full marginal rate. However, the mutual fund generally pays some tax on this income to the foreign country. When you do your tax return, you may be able to offset some or all of this tax by applying a foreign tax credit.

- Mike Townshend

Looking for a previous issue of *The Integratis Insider*? Visit www.Integratis.ca

Please contact us. We appreciate your inquiries, questions, and comments:
 Integratis Benefit Solutions Inc.,
 127 Victoria St. S Suite 202,
 Kitchener ON N2L 6J2
 Tel: 519.746.2600 or 800.561.7551
 Fax: 519.746.2610
 Web site: www.integratis.ca

"The brain is a wonderful organ; it starts working the moment you get up in the morning and does not stop until you get into the office".
Robert Frost

THE INTEGRATIS SUITE OF PRODUCTS -

- » The Integrated Benefit Solution
- » Execucare
- » The Implementation Program
- » The Employee Care Program